

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672
7301 HOUSE STATE AFFAIRS

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: January 23, 1992
Title: Annuity Program Amendments
Sponsor: Kerttula
Requestor: Zharoff

Agency Affected: Revenue
BRU: Permanent Fund Dividend Division
Components: Permanent Fund Dividend
Division
COMPONENT SERIAL NO. 9 8 1

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
OPERATING						
PERSONAL SERVICES	26.7	13.1	13.1	13.1	13.1	13.1
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	15.0	15.0	15.0	15.0	15.0	15.0
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LANDS & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	41.7	28.1	28.1	28.1	28.1	28.1
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER (RSA)	41.7	28.1	28.1	28.1	28.1	28.1
TOTAL	41.7	28.1	28.1	28.1	28.1	28.1

POSITIONS:

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

Estimate of current year impact: None.

ANALYSIS: See attached.

Prepared By: Thomas C. Williams
Division: Permanent Fund Dividend Division

Phone: 465-2323
Date: January 23, 1992

Approved by Commissioner: David Verhall
Agency: Revenue

Date: 1/24/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

ALASKA DEPARTMENT OF REVENUE
PERMANENT FUND DIVIDEND DIVISION
SB 8 ANALYSIS

As of January 23, 1992

Assumptions:

1. This bill is the only Permanent Fund Dividend checkoff bill that will become law. This fiscal note would change if other PFD checkoff bills are introduced and become law.
2. The Department of Administration will charge the Department of Revenue for the required additional computer time.
3. The cost of programming changes will be a one-time cost. Ongoing maintenance of new programs would be accomplished by existing staff. The computer system will need to be changed to account for the change in the program, to establish new accounting controls and to provide for the transfer of funds to the trust account. The following tasks will require the following programming hours.

	<u>Hours</u>
a. <u>Wang Data Entry Processing Updates</u>	75.0
(1) Data entry	
(2) Batch lists	
(3) Corrections	
(4) Wang to IBM transfer	
b. <u>IBM File Processing Updates</u>	30.0
(1) Edits	
(2) Batch listings	
(3) Worksheets	
c. <u>CICS Online Programs for Lookup and Changes</u>	37.5
d. <u>Nightly Update of Changes</u>	22.5
e. <u>Warrant Jobs</u>	90.0
(1) Printing warrants with different amounts. Include check stub messages.	
(2) Modify warrant registers as needed for balancing.	
(3) Create new program for transferring accumulated decisions to trust account and to account for the reserve necessary due to returned and cancelled PFD warrants.	
f. <u>Miscellaneous</u>	45.0
(1) Setting up test files on IBM	
(2) Systems testing	
<u>Total Hours</u>	<u>300.0</u>

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ALASKA DEPARTMENT OF REVENUE
PERMANENT FUND DIVIDEND DIVISION

CB 8 ANALYSIS

As of January 23, 1992

4. The cost of document review, data capture and the data processing chargeback will be continuing. One Document Processor I position would be required for three months to assist in the manual review and coding of 525,000 applications. One Data Processing Clerk I position would be required for two months to assist in data capture.
5. There will be an additional cost associated with an extra page in the PFD booklet necessary to describe the annuity options.
6. Garnishments and assignments will take precedence over contributions to the annuities in the order established by statute. The PFD Division will only honor contributions to the extent that an individual's permanent fund dividend has not otherwise been assigned or garnished.
7. The PFD Division will be responsible for electronically transferring contributions to the annuity account.
8. The Treasury Division will be responsible for the accounting and management of the annuity account.

Cost Summary:

1. Personal Services

	<u>FY 93</u>	<u>FY 94</u>
1 PPT Analyst/Programmer V, R21 @ \$6,770.74/Mo including salary and benefits for 2 months. PCN 04-6011 would be funded for an additional 2 months.	\$ 13.6	\$ -0-
1 PPT Document Processor I, R7 @ \$2,573.60/Mo including salary and benefits for 3 months. This position represents the equivalent of the additional time and effort.	7.7	7.7
1 PPT Data Processing Clerk I, R8 @ \$2,699.03/Mo including salary and benefits for 2 months. This position represents the equivalent of the additional time and effort.	<u>5.4</u>	<u>5.4</u>
Total Personal Services	<u>26.7</u>	<u>13.1</u>

2. Contractual Services

a. Data Processing Chargeback	5.0	5.0
b. Printing charge for extra page	<u>10.0</u>	<u>10.0</u>
Total Contractual Services	<u>15.0</u>	<u>15.0</u>
TOTAL COST	<u>\$ 41.7</u>	<u>\$ 28.1</u>

595

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. No. 9
Version: CSSBR (STA)
(S) Publish Date: 2-21-92

Revision Date: January 21, 1992
Title: An Act amending and making effective an annuity program and amendments to the longevity bonus program
Sponsor: Senator Kerttula
Requestor: Senate Rules Committee

Department Affected: Administration
BRU: Division of Pioneers' Benefits
Component: Longevity Bonus Program
Grants and Administration

COMPONENT

0	0	2	6
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	(0)	(76.0)	(753.6)	(2,124.4)	(4,033.1)	(5,340.5)
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	(76.0)	(753.6)	(2,124.4)	(4,033.1)	(5,340.5)

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

GENERAL FUND	0	(76.0)	(753.6)	(2,124.4)	(4,033.1)	(5,340.5)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	0	0	0	0	0	0
TOTAL	0	(76.0)	(753.6)	(2,124.4)	(4,033.1)	(5,340.5)

POSITIONS:

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

Estimate of current year impact: 0

ANALYSIS: (Attach a separate page if necessary.)
Impact for FY 93 is zero.

Prepared by: Barbara Bathony *Barbara Bathony*
Division: Pioneers' Benefits

Phone: 465-4400
Date: January 21, 1992

Approved by Commissioner: Nancy Bear Usher *Nancy Bear Usher*
Agency: Administration

Date: 1-21-92

Fiscal Note
CSSB 8 (SA)
January 21, 1992

Projected annual savings under this proposal are tenuous because they depend upon a number of variables that cannot be predicted accurately. These projections were prepared as a joint project of the Legislative Research Agency and the Alaska Longevity Bonus program in April 1991 and updated by the Longevity Bonus program in December 1991. A brief discussion of some of the more important assumptions and variables follows.

The Bonus amount for those turning 65 after January 1, 1994, is \$250 less than the annuity payment for those who turn 65 in the current year. The annuity payment depends upon:

- Permanent Fund Dividends—we use projections provided by the Permanent Fund Corporation;
- the interest rate at which earnings accrue and the interest rate used to determine an annuity—we used 8.5 percent as a reasonable estimate in both cases provided by Legislative Research;
- the life expectancy of a 65 year-old we used figures provided by the Alaska Department of Labor; and
- the frequency of bonus adjustments—we assumed that bonuses would be adjusted at the beginning of each fiscal year and remain fixed throughout the year.

The number of recipients who receive \$250 per month was determined by applying mortality and migration figures—supplied by the Alaska Department of Labor—to the projected number of recipients who will be on the program prior to 1992.

The number of recipients who receive reduced bonuses was determined by applying population, mortality and migration figures to the current number of recipients in order to determine the number of new applicants in each year. Migration and mortality figures were then applied to new applicants in order to determine the number of recipients who will receive reduced bonuses in each year. See additional assumptions on the spreadsheet.

Caveats

Projections exclude the cost of administering an annuity program. The assumption is that this agency's involvement with the annuity portion of the program would be limited to being informed of the amount by which bonus warrants should be reduced. Expected costs of modifying the program in order to pay amounts other than a fixed \$250 are included in the FY 93 contractual line.

Projections exclude the savings that would occur under the "hold harmless" provisions of AS 47.45.122. Those costs would be reflected in this fiscal note only if the legislature appropriates hold harmless funds to this agency for subsequent transfer to the Department of Health and Social Services.

Projections exclude savings that might occur if the number of recipients declines as the program becomes less financially attractive to participants and potential participants.

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PFD info from Jim Kelly, 12/13/91

Year	Expected Dividend	Population
92	862	543,000
93	897	
94	947	
95	1002	576,000
96	1050	
97	1119	
98	1186	
99	1245	
2000	1301	633,000
01	1361	
02	1420	
03	1480	
04	1539	
05	1600	695,000
06	1659	
07	1719	
08	1780	
09	1842	
10	1904	763,000

**Longevity Bonus Program
as Redefined by SB 8**

Revised 12/10/91

Current Program			Grand-Fathered		Total SB8 Plus Grandfathered	PFD Dividend Received	Annual Payments Annully	Monthly Payments Annully	(000 million) GF Cost Of Grand- Fathered Recipients	(000 million) Non-GF Cost of Post 93 Recipients	(000 million) GF Cost Cost of Post 93 Recipients	(000 million) Total GF Cost	(000 million) Total GF Savings
Fiscal Year	Qualified Recipients	(000 million) Cost	Recipients	SB8 Recipients	Recipients				Recipients	Recipients	Recipients	Cost	
1992	21,190	63,570.0											
1993	22,385	67,155.0	22,385		22,385	\$910.47							
1994	23,624	70,872.0	22,798	832	23,630	959.13	\$111.26	\$9.27	68,392.6	92.6	2,403.4	70,796.0	76.0
1995	24,841	74,523.0	21,527	3,327	24,854	1,012.63	237.93	19.83	64,580.0	791.6	9,189.4	73,769.4	753.6
1996	25,952	77,856.0	20,179	5,804	25,983	1,059.15	381.89	31.82	60,536.1	2,216.5	15,195.5	75,731.6	2,101.1
1997	26,805	80,415.0	18,911	8,000	26,911	1,120.64	543.79	45.32	56,732.2	4,350.3	19,649.7	76,381.9	4,033.1
1998	28,034	84,102.0	18,532	10,192	28,724	1,176.43	726.95	60.58	55,594.5	7,409.1	23,166.9	78,761.5	5,340.5
1999	29,070	87,210.0	16,753	12,332	29,085	1,231.81	932.51	77.71	50,258.5	11,499.7	25,496.3	75,754.8	11,455.2
2000	30,166	90,498.0	15,804	14,322	30,126	1,284.27	1,162.30	96.86	47,410.6	16,646.5	26,319.5	73,730.1	16,767.9
2001	31,173	93,519.0	14,890	16,175	31,065	1,341.82	1,418.03	118.17	44,671.2	22,936.6	25,588.4	70,259.6	23,259.4
2002	32,231	96,693.0	14,051	17,992	32,043	1,398.32	1,702.54	141.88	42,151.8	30,632.1	23,343.9	65,495.7	31,197.3
2003	33,332	99,996.0	13,261	17,983	31,244	1,458.23	2,018.13	168.18	39,781.7	36,292.0	17,657.0	57,438.7	42,557.3
2004	34,461	103,383.0	12,512	21,553	34,065	1,516.90	2,367.87	197.32	37,537.4	51,034.7	13,624.3	51,161.7	52,221.3
2005	35,684	107,052.0	11,827	23,303	35,130	1,578.62	2,754.51	229.54	35,480.3	64,153	5,720.7	41,200.9	65,851.1
2006	37,146	111,438.0	11,239	0	11,239	1,578.00	3,181.55	265.13	33,717.0	0.0	0.0	33,717.0	77,721.0
2007	38,830	116,490.0	10,724	0	10,724	1,578.00	3,644.82	303.74	32,172.0	0.0	0.0	32,172.0	84,318.0
2008	40,888	122,664.0	10,315	0	10,315	1,578.00	4,147.47	345.62	30,943.8	0.0	0.0	30,943.8	91,720.2
2009	42,797	128,391.0	9,860	0	9,860	1,578.00	4,692.84	391.07	29,580.1	0.0	0.0	29,580.1	98,810.9
2010	44,542	133,626.0	9,374	0	9,374	1,578.00	5,284.56	440.38	28,120.8	0.0	0.0	28,120.8	105,505.2

Notes: Grandfathered Recipients = All persons paid via current program, declines in accordance with mortality tables maintained by AK Dept of Labor using 1990 census results.
 Assume each recipient deposits PFD Jan 1 of each year.
 8.50% Annual Interest Rate earned on Investment
 Current Program - assumes no changes to the law.
 Total GF Cost = GF cost of grandfathered recipients plus GF cost of post 93 recipients.
 Total GF Savings = Difference between total GF cost of current program if not modified and the cost of the program if SB8 becomes law.

SB8 Recipients = All persons entering the program after SB8 becomes law, and assumes the normal proportion of eligible people do actually apply for the smaller bonus.
 PFD Dividend Received = based on Dept. of Revenue projections.
 Annully - based on model previously developed and maintained by Legislative Research.
 GF cost of Grandfathered Recipients = Number of Grandfathered recipients times \$3,000.
 Non-GF Cost of Post 93 Recipients = Portion of \$3,000 paid by annuities.
 GF Cost of Post 93 Recipients = Balance needed in GF as long as annuities are less than \$3,000

Definition: "Recipients" are defined as the Average Number of Warrants Issued in a month. This means one "recipient" would receive \$3,000 per year. It does not equate exactly to the number of people.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

**Longevity Bonus Program
as Redefined by SB 8**

Revised 12/10/91

Current Program			Total							(00 omitted)	(00 omitted)	(00 omitted)	(00 omitted)	(00 omitted)
State Fiscal Year	Qualified Recipients	Cost	Grand-Fathered Recipients	SB8 Recipients	GrandFathered Qualified Recipients	PFD Dividend Received	Annual Payments Annuity	Monthly Payments Annuity	GF Cost Of Grand-Fathered Recipients	Non-GF Cost of Post 93 Recipients	GF Cost Cost of Post 93 Recipients	Total GF Cost	Total GF Savings	
1992	21,190	63,570.0												
1993	22,385	67,155.0	22,385		22,385	\$910.47								
1994	23,624	70,872.0	22,798	832	23,630	959.13	\$111.26	\$9.27	68,392.6	92.6	2,403.4	70,796.0	76.0	
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2006	37,146	111,438.0	11,239	0	11,239	1,578.00	3,181.55	265.13	33,717.0	0.0	0.0	33,717.0	77,721.0	
2007	38,830	116,490.0	10,724	0	10,724	1,578.00	3,644.82	303.74	32,172.0	0.0	0.0	32,172.0	84,318.0	
2008	40,888	122,664.0	10,315	0	10,315	1,578.00	4,147.47	345.62	30,943.8	0.0	0.0	30,943.8	91,720.2	
2009	42,797	128,391.0	9,860	0	9,860	1,578.00	4,692.84	391.07	29,580.1	0.0	0.0	29,580.1	98,810.9	
2010	44,542	133,626.0	9,374	0	9,374	1,578.00	5,284.56	440.38	28,120.8	0.0	0.0	28,120.8	105,505.2	

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Notes: Grandfathered Recipients = All persons paid via current program, declines in accordance with mortality tables maintained by AK Dept of Labor using 1990 census results.
 Assume each recipient deposits PFD Jan 1 of each year.
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 Current Program - assumes no changes to the law.
 Total GF Cost = GF cost of grandfathered recipients plus GF cost of post 93 recipients.
 Total GF Savings = Difference between total GF cost of current program if not modified and the cost of the program if SB 8 becomes law.

SB8 Recipients = All persons entering the program after SB8 becomes law, and assumes the normal proportion of eligible people do actually apply for the smaller bonus.
 PFD Dividend Received = based on Dept. of Revenue projections.
 Annuity - based on model previously developed and maintained by Legislative Research.
 GF cost of Grandfathered Recipients = Number of Grandfathered recipients times \$3,000.
 Non-GF Cost of Post 93 Recipients = Portion of \$3,000 paid by annuities.
 GF Cost of Post 93 Recipients = Balance needed in GF as long as annuities are less than \$3,000

Definition: "Recipients" are defined as the Average Number of Warrants Issued in a month.
 This means one "recipient" would receive \$3,000 per year. It does not equate exactly to the number of people.

Revision Date: January 21, 1992
Title: An Act amending and making effective an annuity program and amendments to the longevity bonus program
Sponsor: Senator Kerttula
Requestor: Senate Rules Committee

Department Affected: Administration
BRU: Division of Pioneers' Benefits
Component: Longevity Bonus Program
Administration

COMPONENT

0	0	2	7
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	106.0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	(0)	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	106.0	0	0	0	0	0

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

GENERAL FUND	106.0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	0	0	0	0	0	0
TOTAL	106.0	0	0	0	0	0

POSITIONS:

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

Estimate of current year impact: 0

ANALYSIS: (Attach a separate page if necessary.)

Impact for FY 92 is zero. This fiscal note assumes there would be an amendment to the computer program contract (to modify the longevity bonus system to print and account for multiple checks) and computer services support. Estimated cost is \$89.0. Estimated cost for mailing and printing is \$17.0.

Prepared by: Barbara Bathony *B. Bathony*
Division: Pioneers' Benefits *111*

Phone: 465-4400
Date: January 21, 1992

Approved by Commissioner: Nancy Bear Usera *N. Bear Usera*
Agency: Administration

Date: 1/21/92

Fiscal Note
CSSB 8 (SA)
January 21, 1992

Contractual costs are: Explaining program to 22,000 recipients, 2 mailings plus printing of information.

2 mailings	\$ 12,000	(assume cost of mailing to be same
printing	5,000	as FY 92)
software program revision	<u>89,000</u>	(FY 91 estimate)
	\$106,000	

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FISCAL NOTE

No. 11

STATE OF ALASKA
1992 LEGISLATIVE SESSION

B... Version: CSSAR (STA)

(S) Publish Date: 2-21-92

Revision Date: _____
Title: An Act amending and making effective an Annuity Program
Sponsor: Kertulla
Requestor: Senate Rules Committee

Department Affected: Administration
BRU: Retirement and Benefits
Component: Retirement and Benefits
COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	414.3	426.7	439.5	452.7	466.3	480.3
TRAVEL	50.0	25.0	25.0	25.0	25.0	25.0
CONTRACTUAL	1,201.3	1,132.7	1,132.7	1,132.7	1,132.7	1,132.7
SUPPLIES	52.5	60.5	70.5	80.5	90.5	100.5
EQUIPMENT	144.1	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	1,862.2	1,644.9	1,667.7	1,690.9	1,714.5	1,738.5

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND	1862.2	1644.9	1667.7	1690.9	1714.5	1738.5
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	0	0	0	0	0	0
TOTAL	1862.2	1644.9	1667.7	1690.9	1714.5	1738.5

POSITIONS

FULL-TIME:	8	8	8	8	8	8
PART-TIME:	0	0	0	0	0	0
TEMPORARY:	0	0	0	0	0	0

Estimate of current year impact: zero

ANALYSIS: (attach a separate page if necessary.)

See attached for a detailed analysis

Prepared By: Garv Bader *Garv Bader*
Division: Retirement and Benefits

Phone: 465-4470
Date: 1/16/92

Approved by Commissioner: Nancy Bear Usery *Nancy Bear Usery*
Agency: Department of Administration

Date: 1/21/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agency(ies).
Rev 11/91 Page 1 of 4

Committee Substitute for Senate Bill 8 (SA)
Fiscal note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration
January 16, 1992

Analysis: The cost of the annuity program is anticipated to be borne entirely by general fund (GF) appropriations. This fiscal note assumes that approximately 5% of the permanent fund dividend recipients (25,000) will participate in the annuity program.

Eight full-time positions will be needed to administer this program on a continuing basis. Even though we are proposing to contract with a private record keeper, eliminating the need for a large staff, this bill requires extensive manual effort to interface with the contractor. Personnel will handle counseling, address and beneficiary changes, account maintenance, and cash contributions.

Travel in FY 93 is needed to explain the program and answer questions at several locations throughout the state. In subsequent years, there will continue to be the need for rural education and counseling.

There are annual contractual needs for the operation of the annuity program as well as contract with the annuity record keeper. These ongoing contractual needs are explained below. The system will be highly automated to reduce the need for a larger staff. An analyst/programmer V will coordinate D.P. activities.

On-going office supply needs will include microfilming supplies, computer paper stock, annual statements of account and 1099's. In FY 93, there will also be a one time need for office equipment and the purchase of a microfilmer and reader for file maintenance.

The total estimated administrative cost to the division by fiscal year is as follows:

PERSONAL SERVICES

1 Retirement System Manager	\$ 81.1	
1 Retirement Specialist I/II	52.0	
1 Retirement Technician I/II	42.1	
1 Accountant II	52.0	
1 Accounting Technician I	42.1	
1 Clerk-Typist III	35.0	
1 Accounting Clerk III	37.9	
1 Analyst/Programmer V	<u>72.1</u>	
Total Personal Services Cost.....		\$414.3
FY 93 Personal Services w/3% increase		\$426.7

TRAVEL

FY 93 - 35 trips to various locations throughout the state for public meetings to explain the program.

FY 94 and after - trips to various locations throughout the state for annual enrollment counselling.

Total Travel cost.....	50.0	25.0
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CONTRACTUAL

	<u>FY 93</u>	<u>FY 94</u>
CPU costs	20.0	
Computer tapes	10.0	
Disk space costs	<u>20.0</u>	
Total DP resource	\$50.0	\$50.0
Record Keeping Contractor		
25,000 accts. @ \$35.00	875.0	875.0
Information Blitz,		
TV, and Radio	85.0	35.0
RSA to PFD division	41.7	28.1
Postage: Information and		
warrants	50.0	50.0
Audits	15.0	15.0
Actuarial Consulting	15.0	10.0
Centrex charges (8 lines), long		
distance WATS line	30.8	30.8
Floor space (1,000 square feet at		
2.25/mo)	<u>38.8</u>	<u>38.8</u>

Total Contractual cost.....	1,201.3	1,132.7
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FY 93

FY 94

SUPPLIES	<u>FY 93</u>	<u>FY 94</u>		
Office supplies, calculators	\$ 4.0	\$ 2.0		
Microfilming supplies	3.5	3.5		
Paper stock	40.0	50.0		
Statement of Account	<u>5.0</u>	<u>5.0</u>		
Total Supplies cost			52.5	60.5
EQUIPMENT				
8 Work stations	36.8			
8 Chairs	2.4			
8 PCs and other office equipment	40.0			
Other office equipment (Dictaphone, calculators, etc.)	10.0			
1 Printer	4.5			
1 Microfilmer and reader	45.0			
2 File cabinets	.6			
8 Phones (600/instrument)	4.8			
Total Equipment cost			<u>144.1</u>	<u>-0-</u>
TOTAL Operations Cost			<u>\$1862.2</u>	<u>\$1,644.9</u>

The continuing personal services costs is estimated to increase at 3% per year. The costs of administration of this system is anticipated as general funds realized from the offsetting savings realized from declining Longevity Bonus payments. Funding is anticipated from general fund appropriations.

FISCAL NOTE

Version: CSSB 8 (STA)

STATE OF ALASKA
1992 LEGISLATIVE SESSION

(S) Publish Date: 2-21-92

Revision Date: FEBRUARY 3, 1992 Department Affected: HEALTH & SOCIAL SERVICES

Title: AN ACT RELATING TO THE ALASKA BRU: ASSISTANCE PAYMENT BRU

LONGEVITY BONUS PROGRAM Component: ADULT PUBLIC ASSISTANCE - OAA &

Sponsor: Kerttula OAA ALB HOLD HARMLESS

Requestor: _____ COMPONENT SERIAL NO.

0	2	2	2
0	2	2	3

 APA

ALB HH

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	(5.1)	(59.6)	(140.6)	(263.0)	(433.1)
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	(5.1)	(59.6)	(140.6)	(263.0)	(433.1)

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
FUND SOURCE:	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	(5.1)	(59.6)	(140.6)	(263.0)	(433.1)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
FUND SOURCE:	0	0	0	0	0	0
TOTAL	0	(5.1)	(59.6)	(140.6)	(263.0)	(433.1)

POSITIONS:

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

Estimate of current year impact: NO FISCAL IMPACT FY92

ANALYSIS: (Attach a separate page if necessary.) CSSB 8 continues the ALB Hold Harmless program, but includes no hold harmless provision for annuity payments. See the attached addendum for an analysis of the impact of this proposed change.

Prepared By: Jan L. Hansen, Director Phone: 465-3347

Division: DIVISION OF PUBLIC ASSISTANCE Date: February 3, 1992

Approved by Commissioner: Theodore A. Mala, MD, MPH

Agency: DEPARTMENT OF HEALTH & SOCIAL SERVICES Date: _____

Division of Public Assistance
Assistance Payments BRU

Old Age Assistance (OAA) & Alaska Longevity Bonus Hold Harmless (OAA-ALB HH)

1. CSSB No. 8 continues the Hold Harmless program, but includes no Hold Harmless provision for annuity payments.
2. We assume the first annuity payments will be made in fiscal year 1994, and that no Old Age Assistance applicants or recipients will elect to participate.
3. We assume that the bonus payments will decrease March 1, 1994, and that OAA clients whose bonus payments will be impacted will be as follows:

	<u>Bonus</u>	<u>Annuity</u>	<u>OAA Clients Impacted</u>
FY93	\$250	0	155
FY94	\$242	\$ 8	458
FY95	\$232	\$18	789
FY96	\$221	\$29	1153
FY97	\$210	\$40	1565
FY98	\$197	\$53	1945

4. Only those who become 65 after January 1, 1994 will receive a declining ALB.
5. Longevity bonus and annuity amounts are based on Legislative Research Report 92.124.
6. There is no effect in FY 93 on Old Age Assistance clients impacted by this bill because annuity payments will not begin until FY 94.
7. Costs assume average age of new applicants for Old Age Assistance will be 65.
8. Approximately 35 percent of all OAA recipients also receive SSI.

CSSB No. 8 provides for a redesign of the Longevity Bonus program to include an annuity and assumes continuation of a full Hold Harmless for the bonus. The impact of this proposed change is two-fold: 1) As the ALB payments decrease then the amount of ALB Hold harmless for federal Supplemental Security Income (SSI) replacements also decreases. The drop in ALBHH for SSI replacement is a net savings to the State. 2) As the bonus payment decreases, the amount of ALB Hold Harmless for OAA replacement decreases and shifts back to Old Age Assistance. The amount of this decrease is a dollar for dollar shift back to Old Age Assistance in the Adult Public Assistance (APA) component.

	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>
Estimated number of impacted aged recipients receiving ALB Hold Harmless that replaces SSI income (35% of OAA clients impacted)	54	160	276	404	548	681
Estimated number of impacted aged recipients receiving ALB Hold Harmless that does not replace SSI income (65% of OAA clients impacted)	101	298	513	749	1017	1264
Total number of new OAA recipients receiving ALB Hold Harmless (100% of OAA clients impacted)	155	458	789	1153	1565	1945
Reduction in monthly bonus \$	0	(8)	(18)	(29)	(40)	(53)
Fiscal year State Savings for ALB Hold Harmless Program benefits to replace OAA payments (65% of OAA clients impacted x bonus reduction x 12 months)	0	(9.5)	(110.8)	(260.7)	(488.2)	(803.9)
Fiscal year State Savings for ALB Hold Harmless Program benefits to replace SSI payments (35% of OAA clients impacted x bonus reduction x 12 months)	0	(5.1)	(59.6)	(140.6)	(263.0)	(433.1)
Fiscal year State Cost for non-SSI OAA recipients (non-SSI clients x bonus reduction x 12 months)	0	9.5	110.8	260.7	488.2	803.9
=====						
Net Savings to State resulting from CSSB 8	0	(5.1)	(59.6)	(140.6)	(263.0)	(433.1)

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Bill Version: CS SB 8 (STA)

(S) Publish Date: 2-21-92

Revision Date: 2/3/92 Department Affected: Health & Social Services
 Title: An Act amending and making effective an annuity program..... BRU: Medicaid
 Component: ALB Hold Harmless and Medicaid
 Sponsor: Kertulla Non-facility

Requestor: _____ COMPONENT SERIAL NO.

0	2	3	0
0	2	3	1

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE:	0	0	0	0	0	0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

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

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

CS SB 8 would result in net savings to the state. See attached analysis

Prepared By: Chris Johnson Phone: 465-3355

Division: Division of Medical Assistance Date: _____

Approved by Commissioner: [Signature]

Agency: Department of Health & Social Services Date: _____

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMS/DSR, Gov. Legis. Ofc., & Impacted Agency(ies).

FISCAL NOTE ANALYSIS
CS SB 8

FY93

There is no fiscal effect on Medicaid (0230) or the Alaska Longevity Bonus Hold Harmless ("ALB HH") medical component (0231) for FY93 as the ALB reduction would not begin until FY94.

FY94 and following

A change made to the ALB HH medical assistance program in FY 92 significantly reduced the number of ALB HH recipients by allowing nearly all Medicaid recipients receiving ALB payments to retain their Medicaid eligibility. (Anticipated FY93 expenditures were reduced from \$1,800,000 to \$44,000.)

CS SB 8 would decrease the ALB payment by \$8 in FY94; the decreased amount would grow each year FY98, when the bonus will be decreased by a total of \$53. Even by FY98, when the \$53 decrease is reached, the number of recipients affected will be minuscule and total funding effect negligible, even if all the recipients remaining the ALB HH program were to elect the annuity option, which is unlikely.

FISCAL NOTE

BILL NO. CSSB 8 (SA) am

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: _____
Title: An Act amending and making effective an Annuity Program
Sponsor: Kertulla
Requestor: Senate Rules Committee

Department Affected: Administration
BRU: Retirement and Benefits
Component: Retirement and Benefits
COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	414.3	426.7	439.5	452.7	466.3	480.3
TRAVEL	50.0	25.0	25.0	25.0	25.0	25.0
CONTRACTUAL	1,201.3	1,132.7	1,132.7	1,132.7	1,132.7	1,132.7
SUPPLIES	52.5	60.5	70.5	80.5	90.5	100.5
EQUIPMENT	144.1	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	1,862.2	1,644.9	1,667.7	1,690.9	1,714.5	1,738.5
CAPITAL	0	0	0	0	0	0
REVENUE FUND SOURCE:	0	0	0	0	0	0

FUNDING: (Thousands of dollars)

GENERAL FUND	1862.2	1644.9	1,667.7	1,690.9	1,714.5	1,738.5
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	0	0	0	0	0	0
TOTAL	1862.2	1644.9	1,667.7	1,690.9	1,714.5	1,738.5

POSITIONS

FULL-TIME:	8	8	8	8	8	8
PART-TIME:	0	0	0	0	0	0
TEMPORARY:	0	0	0	0	0	0

Estimate of current year impact: zero

ANALYSIS: (attach a separate page if necessary.)

See attached for a detailed analysis

Prepared By: Garv Bader *Mary M. Bader*
Division: Retirement and Benefits

Phone: 465-4470
Date: 2/26/92

Approved by Commissioner: Nancy Bear Usher *NBU*
Agency: Department of Administration

Date: 2/28/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agency(ies).
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		<u>FY 93</u>	<u>FY 94</u>
SUPPLIES			
		<u>FY 93</u>	<u>FY 94</u>
	Office supplies, calculators	\$ 4.0	\$ 2.0
	Microfilming supplies	3.5	3.5
	Paper stock	40.0	50.0
	Statement of Account	<u>5.0</u>	<u>5.0</u>
	Total Supplies cost.....	52.5	60.5
 EQUIPMENT			
	8 Work stations	36.8	
	8 Chairs	2.4	
	8 PCs and other office equipment	40.0	
	Other office equipment (Dictaphone, calculators, etc.)	10.0	
	1 Printer	4.5	
	1 Microfilmer and reader	45.0	
	2 File cabinets	.6	
	8 Phones (600/instrument)	4.8	
	Total Equipment cost.....	<u>144.1</u>	<u>-0-</u>
	 TOTAL Operations Cost	 <u>\$1862.2</u>	 <u>\$1,644.9</u>

The continuing personal services costs is estimated to increase at 3% per year. The costs of administration of this system is anticipated as general funds realized from the offsetting savings realized from declining Longevity Bonus payments. Funding is anticipated from general fund appropriations.

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. CSSB 8 (SA) am

Revision Date: February 28, 1992
Title: An Act amending and making effective an annuity program and amendments to the Longevity Bonus Program
Sponsor: Senator Kerttula
Requestor: (H) State Affairs

Department Affected: Administration
BRU: Division of Pioneers' Benefits
Component: Longevity Bonus Program

COMPONENT

0	0	2	7
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	106.0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	106.0	0	0	0	0	0

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

GENERAL FUND	106.0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE:	0	0	0	0	0	0
TOTAL	106.0	0	0	0	0	0

POSITIONS:

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

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

See attached.

Prepared by: Dennis L. DeWitt, Director

Phone: 465-4400

Division: Pioneers' Benefits

Date: February 28, 1992

Approved by Commissioner: Nancy Bear Usura

Agency: Administration

Date: 2/28/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

FISCAL NOTE
CSSB 8 (SA) am
FEBRUARY 28, 1992
Page 2 of 2

This fiscal note assumes we would amend our current computer contract (to modify the longevity bonus system to print and account for checks in various amounts) and computer support services. We expect that we will need to do 2 mailings to the 23,500 bonus recipients to explain the new program.

Contractual Costs

Printing	\$ 5.0
Mailings (2)	12.0
Program software revision	<u>89.0</u>
Total	106.0

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FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. CSSB 8 (SA) am

Revision Date: February 28, 1992
Title: An Act amending and making effective an annuity program and amendments to the longevity bonus program
Sponsor: Senator Kerttula
Requestor: (H) STA

Department Affected: Administration
BRU: Division of Pioneers' Benefits
Component: Longevity Bonus Program
Grants and Administration

COMPONENT

0	0	2	6
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	(0)	(76.0)	(753.6)	(2,124.4)	(4,033.1)	(5,340.5)
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	(76.0)	(753.6)	(2,124.4)	(4,033.1)	(5,340.5)

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

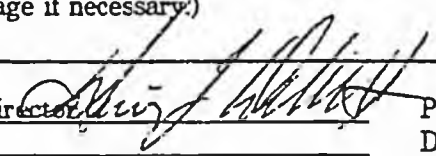
GENERAL FUND	0	(76.0)	(753.6)	(2,124.4)	(4,033.1)	(5,340.5)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	0	0	0	0	0	0
TOTAL	0	(76.0)	(753.6)	(2,124.4)	(4,033.1)	(5,340.5)

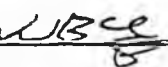
POSITIONS:

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

Estimate of current year impact: 0

ANALYSIS: (Attach a separate page if necessary)
Impact for FY 93 is zero.

Prepared by: Dennis L. DeWitt, Director  Phone: 465-4400
Division: Pioneers' Benefits Date: February 28, 1992

Approved by Commissioner: Nancy Bear Usery 
Agency: Administration Date: 2/28/92

FISCAL NOTE
CSSB 8 (SA) am
February 28, 1992

Projected annual savings under this proposal are tenuous because they depend upon a number of variables that cannot be predicted accurately. These projections were prepared as a joint project of the Legislative Research Agency and the Alaska Longevity Bonus program in April 1991 and updated by the Longevity Bonus program in December 1991. A brief discussion of some of the more important assumptions and variables follows.

The Bonus amount for those turning 65 after January 1, 1994, is \$250 less than the annuity payment for those who turn 65 in the current year. The annuity payment depends upon:

- Permanent Fund Dividends—we use projections provided by the Permanent Fund Corporation;
- the interest rate at which earnings accrue and the interest rate used to determine an annuity—we used 8.5 percent as a reasonable estimate in both cases provided by Legislative Research;
- the life expectancy of a 65 year-old we used figures provided by the Alaska Department of Labor; and
- the frequency of bonus adjustments—we assumed that bonuses would be adjusted at the beginning of each fiscal year and remain fixed throughout the year.

The number of recipients who receive \$250 per month was determined by applying mortality and migration figures—supplied by the Alaska Department of Labor—to the projected number of recipients who will be on the program prior to 1992.

The number of recipients who receive reduced bonuses was determined by applying population, mortality and migration figures to the current number of recipients in order to determine the number of new applicants in each year. Migration and mortality figures were then applied to new applicants in order to determine the number of recipients who will receive reduced bonuses in each year. See additional assumptions on the spreadsheet.

Caveats

Projections exclude the cost of administering an annuity program. The assumption is that this agency's involvement with the annuity portion of the program would be limited to being informed of the amount by which bonus warrants should be reduced. Expected costs of modifying the program in order to pay amounts other than a fixed \$250 are included in the FY 93 contractual line.

Projections exclude the savings that would occur under the "hold harmless" provisions of AS 47.45.122. Those costs would be reflected in this fiscal note only if the legislature appropriates hold harmless funds to this agency for subsequent transfer to the Department of Health and Social Services.

Projections exclude savings that might occur if the number of recipients declines as the program becomes less financially attractive to participants and potential participants.

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**Longevity Bonus Program
as Redefined by SB 8**

Revised 12/10/91

Current Program			Total		SB8 Plus		PFD		Annual		Monthly		(000 million)		(000 million)		(000 million)		(000 million)		(000 million)	
State Fiscal Year	Qualified Recipients	(000 million) Cost	Grand-Fathered Recipients	SB8 Recipients	GrandFathered Recipients	Dividend Received	Payments Annuity	Payments Annuity	Cost of Grand-Fathered Recipients	Cost of Post 93 Recipients	Cost of Post 93 Recipients	Total GF Cost	Total GF Cost	Total GF Cost	Total GF Cost	Total GF Cost	Total GF Cost	Total GF Cost	Total GF Cost	Total GF Cost	Total GF Cost	Total GF Cost
1992	21,190	63,570.0																				
1993	22,385	67,155.0	22,385		22,385	\$910.47																
1994	23,624	70,872.0	22,798	832	23,630	959.13	\$111.26	\$9.27	68,392.6	92.6	2,403.4	70,796.0										76.0
1995	24,841	74,523.0	21,527	3,327	24,854	1,012.63	237.93	19.83	64,580.0	791.6	9,189.4	73,769.4										753.6
1996	25,952	77,856.0	20,179	5,804	25,983	1,059.15	381.89	31.82	60,536.1	2,216.5	15,195.5	75,731.6										2,124.4
1997	26,805	80,415.0	18,911	8,000	26,911	1,120.64	543.79	45.32	56,732.2	4,350.3	19,649.7	76,381.9										4,033.1
1998	28,034	84,102.0	18,532	10,192	28,724	1,176.43	726.95	60.58	55,594.5	7,409.1	23,166.9	78,761.5										5,340.5
1999	29,070	87,210.0	16,753	12,332	29,085	1,231.81	932.51	77.71	50,258.5	11,499.7	25,496.3	75,754.8										11,455.2
2000	30,166	90,498.0	15,804	14,322	30,126	1,284.27	1,162.30	96.86	47,410.6	16,646.5	26,319.5	73,730.1										16,767.9
2001	31,173	93,519.0	14,890	16,175	31,065	1,341.82	1,418.03	118.17	44,671.2	22,936.6	25,588.4	70,259.6										23,259.4
2002	32,231	96,693.0	14,051	17,992	32,043	1,398.32	1,702.54	141.88	42,151.8	30,632.1	23,343.9	65,495.7										31,197.3
2003	33,332	99,996.0	13,261	17,983	31,244	1,458.23	2,018.13	168.18	39,781.7	36,292.0	17,657.0	57,438.7										42,557.3
2004	34,461	103,383.0	12,512	21,553	34,065	1,516.90	2,367.87	197.32	37,537.4	51,034.7	13,624.3	51,161.7										52,221.3
2005	35,684	107,052.0	11,827	23,303	35,130	1,578.62	2,754.51	229.54	35,480.3	64,188.3	5,720.7	41,200.9										65,851.1
2006	37,146	111,438.0	11,239	0	11,239	1,578.00	3,181.55	265.13	33,717.0	0.0	0.0	33,717.0										77,721.0
2007	38,830	116,490.0	10,724	0	10,724	1,578.00	3,644.82	303.74	32,172.0	0.0	0.0	32,172.0										84,318.0
2008	40,888	122,664.0	10,315	0	10,315	1,578.00	4,147.47	345.62	30,943.8	0.0	0.0	30,943.8										91,720.2
2009	42,797	128,391.0	9,860	0	9,860	1,578.00	4,692.84	391.07	29,580.1	0.0	0.0	29,580.1										98,810.9
2010	44,542	133,626.0	9,374	0	9,374	1,578.00	5,284.56	440.38	28,120.8	0.0	0.0	28,120.8										105,505.2

Notes: Grandfathered Recipients = All persons paid via current program, declines in accordance with mortality tables maintained by AK Dept of Labor using 1990 census results.
 Assume each recipient deposits PFD into I of each year.
 8.50% Annual Interest Rate earned on investment
 Current Program - assumes no changes to the law.
 Total GF Cost = GF cost of grandfathered recipients plus GF cost of post 93 recipients.
 Total GF Savings = Difference between total GF cost of current program if not modified and the cost of the program if SB8 becomes law.

SB8 Recipients = All persons entering the program after SB8 becomes law, and assumes the normal proportion of eligible people do actually apply for the smaller bonus.
 PFD Dividend Received = based on Dept. of Revenue projections.
 Annuity - based on model previously developed and maintained by Legislative Research.
 GF cost of Grandfathered Recipients = Number of Grandfathered recipients times \$3,000.
 Non-GF Cost of Post 93 Recipients = Portion of \$3,000 paid by annuities.
 GF Cost of Post 93 Recipients = Balance needed in GF as long as annuities are less than \$3,000

Definition: "Recipients" are defined as the Average Number of Warrants Issued in a month. This means one "recipient" would receive \$3,000 per year. It does not equate exactly to the number of people.

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. CSSB 8 (STA) am

Revision Date: March 2, 1992

Title: Annuity Program Amendments

Sponsor: Kerttula, Halford

Requestor: House State Affairs

Agency Affected: Revenue

BRU: Permanent Fund Dividend Division

Components: Permanent Fund Dividend
Division

COMPONENT SERIAL NO. 9 8 1

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
OPERATING						
PERSONAL SERVICES		26.7	13.1	13.1	13.1	13.1
TRAVEL						
CONTRACTUAL		15.0	15.0	15.0	15.0	15.0
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	41.7	28.1	28.1	28.1	28.1
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (RSA)		41.7	28.1	28.1	28.1	28.1
TOTAL	-0-	41.7	28.1	28.1	28.1	28.1

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None.

ANALYSIS: See attached. *Thomas Williams*

Prepared By: Thomas Williams Phone: 465-2323
Division: Permanent Fund Dividend Division Date: March 2, 1992

Approved by Commissioner: _____ Date: _____
Agency: Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

ALASKA DEPARTMENT OF REVENUE
PERMANENT FUND DIVIDEND DIVISION
CSSB 8 (STA) am ANALYSIS
As of March 2, 1992

Assumptions:

1. This bill is the only Permanent Fund Dividend checkoff bill that will become law. This fiscal note could change if other PFD checkoff bills are introduced and become law.
2. The Department of Administration will charge the Department of Revenue for the required additional computer time.
3. The cost of programming changes will be a one-time cost. Ongoing maintenance of new programs would be accomplished by existing staff. The computer system will need to be changed to account for the change in the program, to establish new accounting controls and to provide for the transfer of funds to the trust account. The following tasks will require the following programming hours.

	<u>Hours</u>
a. <u>Wang Data Entry Processing Updates</u>	75.0
(1) Data entry	
(2) Batch lists	
(3) Corrections	
(4) Wang to IBM transfer	
b. <u>IBM File Processing Updates</u>	30.0
(1) Edits	
(2) Batch listings	
(3) Worksheets	
c. <u>CICS Online Programs for Lookup and Changes</u>	37.5
d. <u>Nightly Update of Changes</u>	22.5
e. <u>Warrant Jobs</u>	90.0
(1) Printing warrants with different amounts. Include check stub messages.	
(2) Modify warrant registers as needed for balancing.	
(3) Create new program for transferring accumulated decisions to trust account and to account for the reserve necessary due to returned and cancelled PFD warrants.	
f. <u>Miscellaneous</u>	45.0
(1) Setting up test files on IBM	
(2) Systems testing	
 <u>Total Hours</u>	 <u>300.0</u>

ALASKA DEPARTMENT OF REVENUE
 PERMANENT FUND DIVIDEND DIVISION
CSSB 8 (STA) am ANALYSIS
 As of March 2, 1992

4. The cost of document review, data capture and the data processing chargeback will be continuing. One Document Processor I position would be required for three months to assist in the manual review and coding of 535,000 applications. One Data Processing Clerk I position would be required for two months to assist in data capture.
5. There will be an additional cost associated with an extra page in the PFD booklet necessary to describe the annuity options.
6. Garnishments and assignments will take precedence over contributions to the annuities in the order established by statute. The PFD Division will only honor contributions to the extent that an individual's permanent fund dividend has not otherwise been assigned or garnished.
7. The PFD Division will be responsible for electronically transferring contributions to the annuity account.
8. The Treasury Division will be responsible for the accounting and management of the annuity account.

Cost Summary:

1. Personal Services

	<u>FY 94</u>	<u>FY 95</u>
1 PPT Analyst/Programmer V, R21 @ \$6,770.74/Mo including salary and benefits for 2 months. PCN 04-6011 would be funded for an additional 2 months.	\$ 13.6	\$ -0-
1 PPT Document Processor I, R7 @ \$2,573.60/Mo including salary and benefits for 3 months. This position represents the equivalent of the additional time and effort.	7.7	7.7
1 PPT Data Processing Clerk I, R8 @ \$2,699.03/Mo including salary and benefits for 2 months. This position represents the equivalent of the additional time and effort.	<u>5.4</u>	<u>5.4</u>
Total Personal Services	<u>26.7</u>	<u>13.1</u>

2. Contractual Services

a. Data Processing Chargeback	5.0	5.0
b. Printing charge for extra page	<u>10.0</u>	<u>10.0</u>
Total Contractual Services	<u>15.0</u>	<u>15.0</u>
TOTAL COST	<u>\$ 41.7</u>	<u>\$ 28.1</u>

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. CS for SB 8 (STA) am

Revision Date: March 2, 1992

Department Affected: Revenue

Title: An Act amending and making effective an annuity program and amendments to the longevity bonus and P.F.D..

BRU: Operations
Component: Treasury Management

Sponsor: Kertula, Halford
Requestor: House State Affairs

Component Serial No.

0	1	2	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	5.0	5.0	5.0	5.0	5.0
TRAVEL						
CONTRACTUAL	0	20.0	20.0	20.0	20.0	20.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	25.0	25.0	25.0	25.0	25.0

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND/Unrestricted						
FEDERAL FUNDS						
OTHER	0	25.0	25.0	25.0	25.0	25.0
TOTAL	0	25.0	25.0	25.0	25.0	25.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: The 25.0 expenditure in total operating costs is the basic personal services and contractual costs for a trust managed by the Treasury Division. Contractual costs would consist of external investment management, accounting, auditing, and custodial services. Future cost increases are dependent on the asset growth of the trust fund from contributions and market gains.

Prepared by: Brian C. Andrews

Phone: 465-2300

Division: Treasury

Date: March 2, 1992

Approved by Commissioner: [Signature]

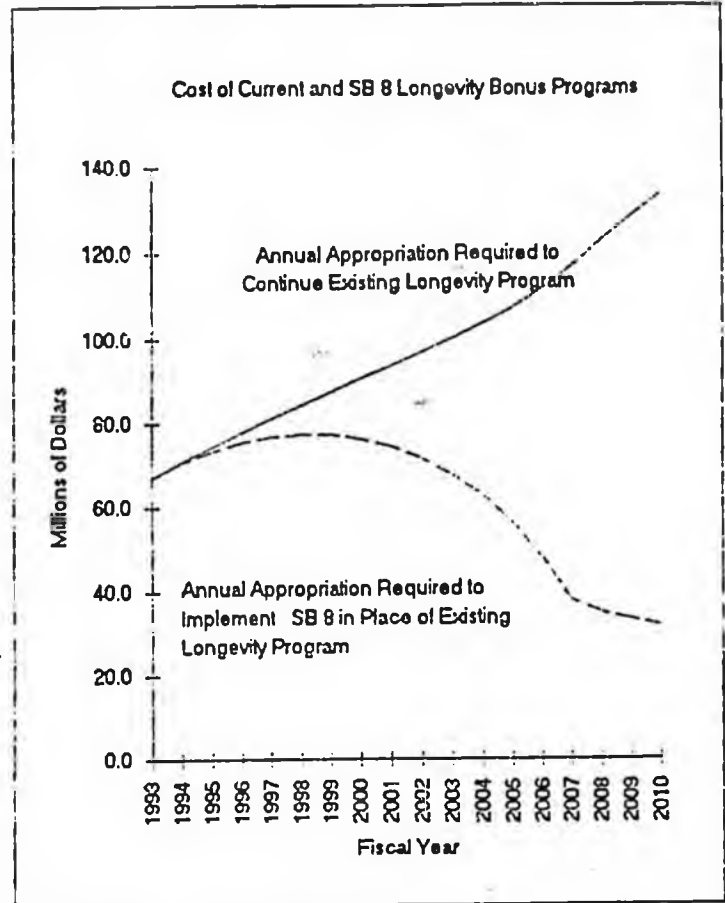
Agency: Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

Alaska Longevity Bonus Program and Senate Bill 8

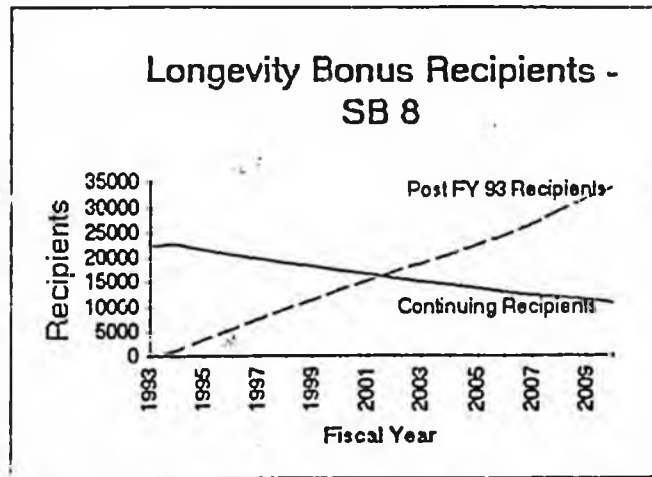
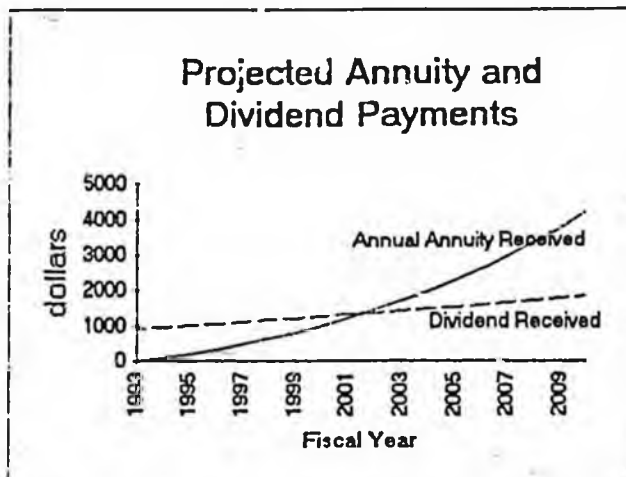
Fiscal Year	General Fund Costs/Savings			
	Cost of Current Program	Cost of SB 8 Program	Annual Savings SB 8	Cumulative Savings SB 8
1993	67.2	67.2	0.0	0.0
1994	70.9	70.8	0.1	0.1
1995	74.5	73.5	1.1	1.2
1996	77.9	75.5	2.4	3.6
1997	80.9	76.7	4.2	7.8
1998	84.1	77.3	6.8	14.6
1999	87.2	77.2	10.0	24.6
2000	90.5	76.3	14.1	38.7
2001	93.5	74.4	19.1	57.8
2002	96.7	71.6	25.1	82.9
2003	100.0	67.6	32.4	115.3
2004	103.4	62.4	40.9	156.2
2005	107.0	55.9	51.2	207.4
2006	111.4	47.8	63.6	271.0
2007	116.5	37.8	78.7	349.7
2008	122.7	35.0	87.7	437.4
2009	128.4	33.4	95.0	532.4
2010	133.6	31.9	101.7	634.1

Note:
 *All Dollar Amounts are in Millions of Nominal Dollars.
 *Implied migration and mortality rates are from Alaska Department of Labor.
 *Annuity Interest Rate 7%
 *No Annual Annuity Service Charge



Revised 3/5/92

Alaska Longevity Bonus Program and Senate Bill 8



Fiscal Year	Qualified Recipients	Post FY 93 Recipients	Total Recipients	Dividend Received	Annual Annuity	Monthly Annuity	Post FY 93 Bonus	Total Monthly Annuity+Dividend
1993	22385	0	22385	924.00	0.00	0.00	250.00	250.00
1994	22488	1137	23625	970.00	101.55	8.46	241.54	250.00
1995	21469	3373	24842	1022.00	215.26	17.94	232.06	250.00
1996	20512	5441	25953	1066.00	342.65	28.55	221.45	250.00
1997	19587	7383	26970	1111.00	483.80	40.32	209.68	250.00
1998	18387	9345	28032	1171.00	639.76	53.31	196.69	250.00
1999	17843	11224	29067	1221.00	813.24	67.77	182.23	250.00
2000	17018	13144	30162	1271.00	1004.36	83.70	166.30	250.00
2001	16237	14932	31169	1321.00	1214.36	101.20	146.80	250.00
2002	15484	16743	32227	1374.00	1444.54	120.38	129.62	250.00
2003	14773	18555	33328	1426.00	1696.67	141.39	108.61	250.00
2004	14086	20372	34458	1479.00	1972.15	164.35	85.65	250.00
2005	13431	22250	35681	1533.00	2272.75	189.40	60.60	250.00
2006	12807	24338	37145	1589.00	2600.33	216.69	33.31	250.00
2007	12220	26607	38827	1647.00	2956.98	246.42	3.58	250.00
2008	11657	29228	40885	1706.00	3344.98	278.75	0.00	278.75
2009	11136	31659	42795	1766.00	3766.63	313.89	0.00	313.89
2010	10641	33899	44540	1830.00	4224.38	352.03	0.00	352.03

Alaska Longevity Bonus Program, SB 8, Options A & B

Yearly Cost of Longevity Bonus (Millions of Dollars)

<u>Fiscal</u> <u>Year</u>	<u>Current</u>	<u>SB 8</u>	<u>Option A</u>	<u>Option B</u>
1993	67.2	67.2	67.2	67.2
1994	70.9	70.8	70.8	70.8
1995	74.5	73.5	73.6	73.5
1996	77.9	75.5	75.7	75.6
1997	80.9	76.7	77.1	77.0
1998	84.1	77.3	78.0	77.8
1999	87.2	77.2	78.2	77.9
2000	90.5	76.3	77.8	77.4
2001	93.5	74.4	76.4	75.9
2002	96.7	71.6	74.1	73.4
2003	100.0	67.6	70.9	70.0
2004	103.4	62.4	66.5	65.4
2005	107.0	55.9	60.8	59.5
2006	111.4	47.8	53.7	52.1
2007	116.5	37.8	44.9	42.9
2008	122.7	35.0	35.0	35.0
2009	128.4	33.4	33.4	33.4
2010	133.6	31.9	31.9	31.9

Prepared by Legislative Research Agency- 03/18/92 (92.200)

**Permanent Fund Dividends
(Dollars)**

<u>Fiscal Year</u>	<u>SB8</u>	<u>Option A</u>	<u>Option B</u>
1993	924	806	839
1994	970	849	883
1995	1022	899	933
1996	1066	942	975
1997	1111	988	1020
1998	1171	1049	1081
1999	1221	1102	1133
2000	1271	1155	1186
2001	1321	1210	1240
2002	1374	1268	1298
2003	1426	1327	1356
2004	1479	1388	1417
2005	1533	1452	1480
2006	1589	1519	1547
2007	1647	1589	1617
2008	1706	1662	1687
2009	1766	1724	1749
2010	1830	1791	1815

**Monthly Annuities and Longevity Bonuses
(Dollars)**

<u>Fiscal Year</u>	<u>SB 8</u>		<u>Option A</u>		<u>Option B</u>	
	<u>Monthly Annuity</u>	<u>Post FY 93 Bonus</u>	<u>Monthly Annuity</u>	<u>Post FY 93 Bonus</u>	<u>Monthly Annuity</u>	<u>Post FY 93 Bonus</u>
1993	0.00	250.00	0.00	250.00	0.00	250.00
1994	8.46	241.54	7.38	242.62	7.68	242.32
1995	17.94	232.06	15.67	234.33	16.31	233.69
1996	23.55	221.45	25.00	225.00	26.00	224.00
1997	40.32	209.68	35.38	214.62	36.74	213.26
1998	53.31	196.69	46.91	203.09	48.66	201.34
1999	67.77	182.23	59.80	190.20	61.97	188.03
2000	83.70	166.30	74.08	175.92	76.68	173.32
2001	101.20	148.80	89.84	160.16	92.91	157.09
2002	120.38	129.62	107.21	142.79	110.77	139.23
2003	141.39	108.61	126.33	123.67	130.41	119.59
2004	164.35	85.65	147.33	102.67	151.96	98.04
2005	189.40	60.60	170.35	79.65	175.57	74.43
2006	216.69	33.31	195.57	54.43	201.42	48.58
2007	246.42	3.58	223.18	26.82	229.69	20.31
2008	278.75	0.00	253.35	0.00	260.57	0.00
2009	313.89	0.00	286.31	0.00	294.26	0.00
2010	352.03	0.00	322.14	0.00	330.88	0.00

Prepared by Legislative Research Agency- 03/18/92 (92.200)

Date of Committee Action: 3/9/92

The STATE AFFAIRS Committee considered:

CSSB 8(STA) am

CS FOR SENATE BILL NO. 8 (STATE AFFAIRS) am

ANNUITY PROGRAM AMENDMENTS

"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."

RECOMMENDATIONS: the same title
be replaced with _____ a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal impact Admin

fiscal note(s) Revenue

zero fiscal note _____

zero fiscal note(s) _____

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Eugene G. Kubisa</i>		<i>David ...</i>		<input checked="" type="checkbox"/>	
<i>Tom ...</i>	<input checked="" type="checkbox"/>	<i>Tom ...</i>		<input checked="" type="checkbox"/>	
<i>E. ...</i>		<i>Mike Miller</i>		<input checked="" type="checkbox"/>	
<i>...</i>		<i>...</i>		<input checked="" type="checkbox"/>	

Eugene G. Kubisa
CHAIRMAN'S SIGNATURE

Alaska State Legislature

130 Seward Street, Suite 218
Juneau, Alaska 99801-2196

Legislative Research Agency



Phone: (907) 465-3991
Fax: (907) 463-3351

March 16, 1992

MEMORANDUM

TO: Representative Gene Kubina

FROM: Paul Engelman and Paula d. Scavera
Legislative Analysts

RE: Variations of Senate Bill 8 (Longevity Bonus and Annuity Payments)
Research Request 92.200

You asked how two variations of Senate Bill 8 would affect projected annuity payments and expenditures. The two variations, called SB 8 Option A and Option B in this memorandum, eliminate general fund expenditures of the Alaska Longevity Bonus Program.

Senate Bill 8 Option A shifts general fund costs for the Longevity Bonus payments to the Permanent Fund Dividend Distribution Account. This results in smaller permanent fund dividends which result in smaller annuity payments and larger longevity bonus payments than the original SB 8.

Under SB 8 Option A and the original SB 8, fiscal year 2008 remains the year in which the monthly annuity exceeds \$250 per month. However, the yearly cost of SB 8 Option A is greater than the original SB 8 for fiscal years 1995 through 2007, for the reasons stated above.

Senate Bill 8 Option B is the same as Option A except individuals age 65 prior to January 1, 1994 are ineligible to receive a permanent fund dividend, but are still eligible for longevity bonus payments. This results in larger permanent fund dividends, larger annuity payments and smaller longevity bonus payments than Option A. Yearly cost savings over Option A occur in the fiscal years 1995 through 2007.

These affects of Options A and B are shown in detail in the attached tables.

If you have any questions or need further assistance, please contact this agency.

Attachments

Option A

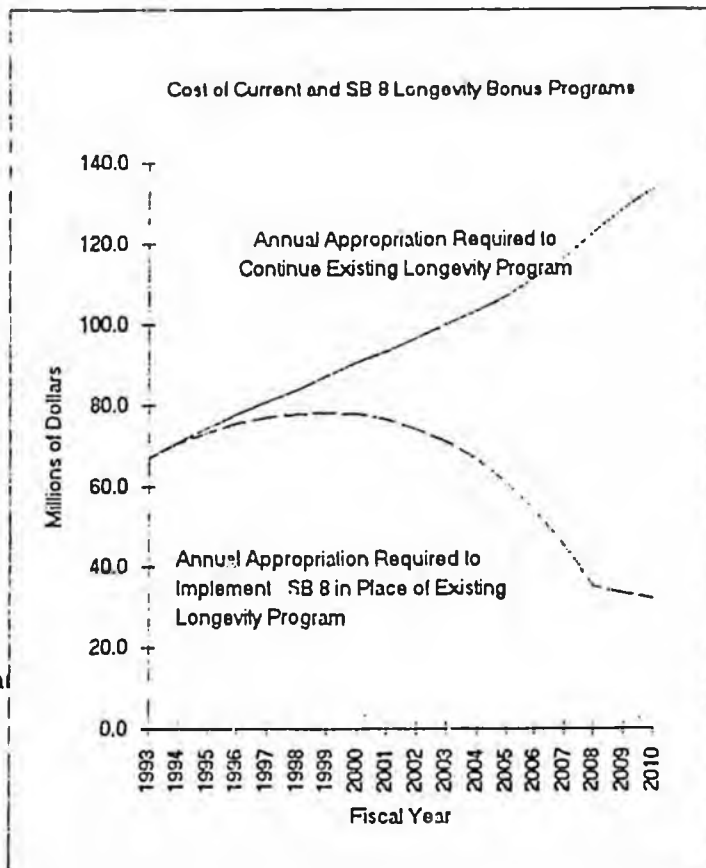
Alaska Longevity Bonus Program and Senate Bill 8

With Longevity Bonus Payments Paid From The Permanent Fund Dividend Distribution Account

Fiscal Year	General Fund Cost of Current Program	Cost of Proposed SB 8 Program	Cost of SB 8 using General Funds
1993	67.2	67.2	67.2
1994	70.9	70.8	70.8
1995	74.5	73.6	73.5
1996	77.9	75.7	75.5
1997	80.9	77.1	76.7
1998	84.1	78.0	77.3
1999	87.2	78.2	77.2
2000	90.5	77.8	76.3
2001	93.5	76.4	74.4
2002	96.7	74.1	71.6
2003	100.0	70.9	67.6
2004	103.4	66.5	62.4
2005	107.0	60.8	55.9
2006	111.4	53.7	47.8
2007	116.5	44.9	37.8
2008	122.7	35.0	35.0
2009	128.4	33.4	33.4
2010	133.6	31.9	31.9

Note:

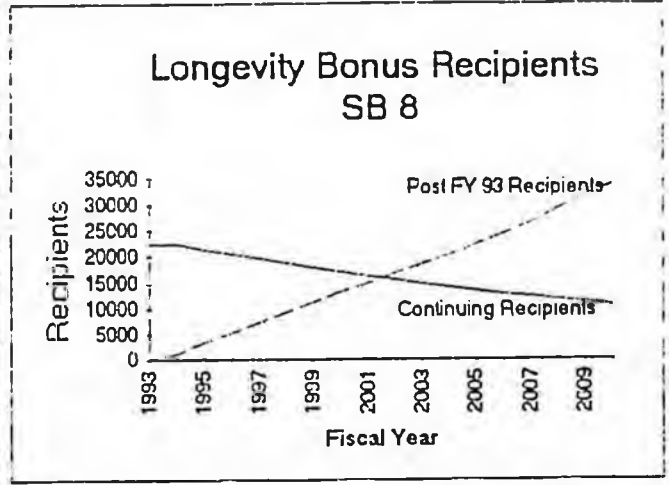
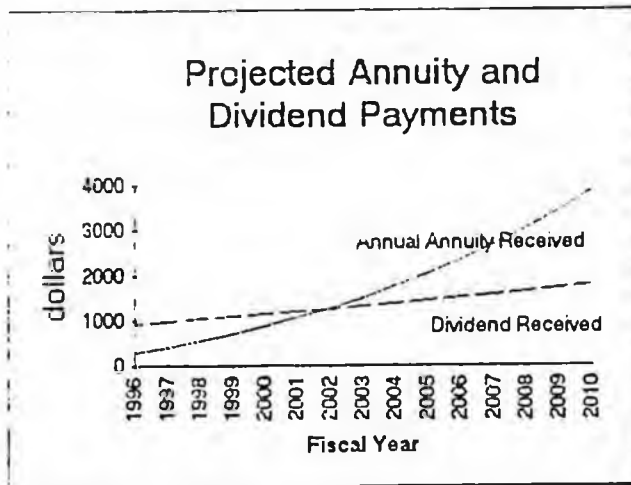
- *All Dollar Amounts are in Millions of Nominal Dollars
- *Implied migration and mortality rates are from Alaska Department of Labor.
- *Annuity Interest Rate 7%
- *No Annual Annuity Service Charge
- *All funds from the permanent fund distribution account resulting in lower permanent fund dividends to individuals



Option A

Alaska Longevity Bonus Program and Senate Bill 8

With Longevity Bonus Payments Paid From The Permanent Fund Dividend Distribution Account



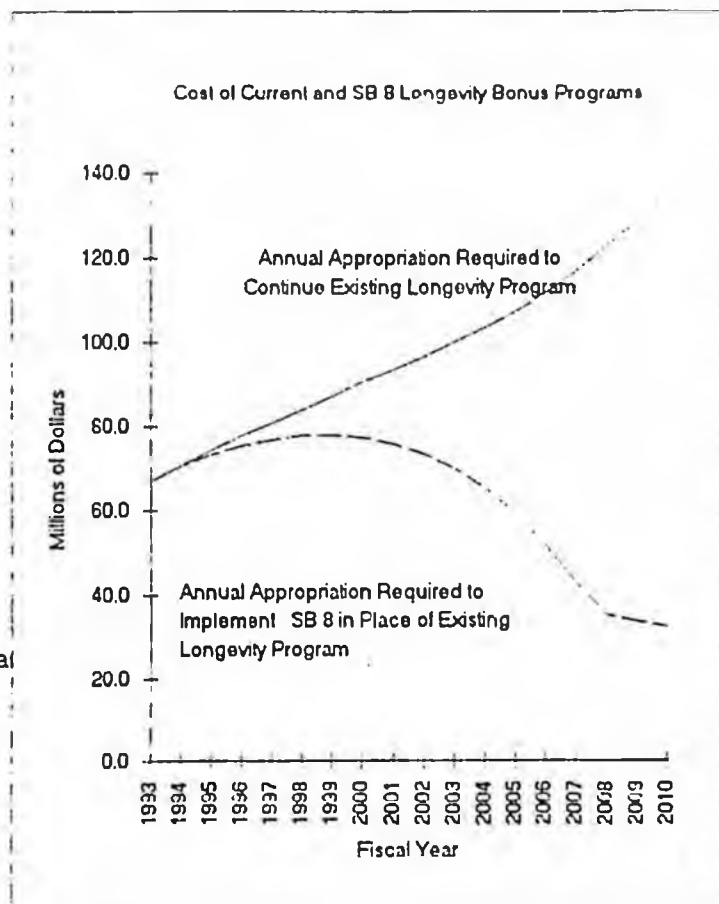
Fiscal Year	Qualified Recipients	Post FY 93 Recipients	Total Recipients	Dividend Received	Annual Annuity	Monthly Annuity	Post FY 93 Bonus	Total Monthly Annuity+Dividend
1993	22385	0	22385	806.00	0.00	0.00	250.00	250.00
1994	22488	1137	23625	849.00	88.58	7.38	242.62	250.00
1995	21469	3373	24842	899.00	188.09	15.67	234.33	250.00
1996	20512	5441	25953	942.00	300.06	25.00	225.00	250.00
1997	19587	7383	26970	988.00	424.59	35.38	214.62	250.00
1998	18687	9345	28032	1049.00	562.90	46.91	203.09	250.00
1999	17843	11224	29067	1102.00	717.59	59.80	190.20	250.00
2000	17018	13144	30162	1155.00	888.93	74.08	175.92	250.00
2001	16237	14932	31169	1210.00	1078.10	89.84	160.16	250.00
2002	15484	16743	32227	1268.00	1286.55	107.21	142.79	250.00
2003	14773	18555	33328	1327.00	1515.96	126.33	123.67	250.00
2004	14086	20372	34458	1388.00	1767.92	147.33	102.67	250.00
2005	13431	22250	35681	1452.00	2044.22	170.35	79.65	250.00
2006	12807	24338	37145	1519.00	2346.89	195.57	54.43	250.00
2007	12220	26607	38827	1589.00	2678.12	223.18	26.82	250.00
2008	11657	29228	40885	1662.00	3040.22	253.35	0.00	253.35
2009	11136	31659	42795	1724.00	3435.70	286.31	0.00	286.31
2010	10641	33899	44540	1791.00	3865.67	322.14	0.00	322.14

Option B

Alaska Longevity Bonus Program and Senate Bill 8

Longevity Bonus Payments Paid From The Permanent Fund Dividend Distribution Account
Individuals Age 65 Prior To 1/94 Do Not Receive PFD

Fiscal Year	General Fund Cost of Current Program	Cost of Proposed SB 8 Program	Cost of SB 8 using General Funds
1993	67.2	67.2	67.2
1994	70.9	70.8	70.8
1995	74.5	73.5	73.5
1996	77.9	75.6	75.5
1997	80.9	77.0	76.7
1998	84.1	77.8	77.3
1999	87.2	77.9	77.2
2000	90.5	77.4	76.3
2001	93.5	75.9	74.4
2002	96.7	73.4	71.6
2003	100.0	70.0	67.6
2004	103.4	65.4	62.4
2005	107.0	59.5	55.9
2006	111.4	52.1	47.8
2007	116.5	42.9	37.8
2008	122.7	35.0	35.0
2009	128.4	33.4	33.4
2010	133.6	31.9	31.9



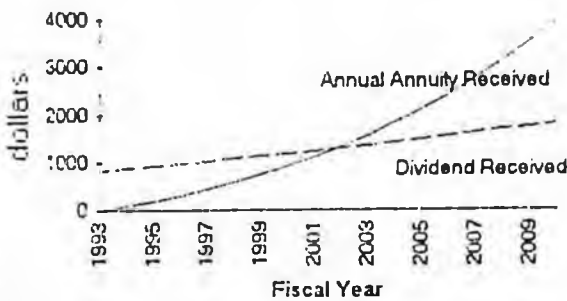
- *All Dollar Amounts are in Millions of Nominal Dollar
- *Implied migration and mortality rates are from Alaska Department of Labor
- *Annuity interest rate at 7%
- *No annual annuity service charge
- * All funds from the permanent fund distribution account

Option B

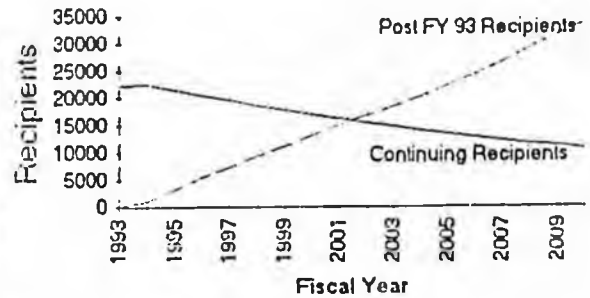
Alaska Longevity Bonus Program and Senate Bill 8

Longevity Bonus Payments Paid From The Permanent Fund Dividend Distribution Account
 Individuals Age 65 Prior To 1/94 Do Not Receive PFD

Projected Annuity and Dividend Payments



Longevity Bonus Recipients SB 8



Fiscal Year	Qualified Recipients	Post FY 93 Recipients	Total Recipients	Dividend Received	Annual Annuity	Monthly Annuity	Post FY 93 Bonus	Total Monthly Annuity+Dividend
1993	22385	0	22385	839.00	0.00	0.00	250.00	250.00
1994	22488	1137	23625	883.00	92.21	7.68	242.32	250.00
1995	21469	3373	24842	933.00	195.71	16.31	233.69	250.00
1996	20512	5441	25953	975.00	311.95	26.00	224.00	250.00
1997	19587	7383	26970	1020.00	440.94	36.74	213.26	250.00
1998	18687	9345	28032	1081.00	583.90	48.66	201.34	250.00
1999	17843	11224	29067	1133.00	743.58	61.97	188.03	250.00
2000	17018	13144	30162	1186.00	920.15	76.68	173.32	250.00
2001	16237	14932	31169	1240.00	1114.91	92.91	157.09	250.00
2002	15484	16743	32227	1298.00	1329.23	110.77	139.23	250.00
2003	14773	18555	33328	1356.00	1564.93	130.41	119.59	250.00
2004	14086	20372	34458	1417.00	1823.51	151.96	98.04	250.00
2005	13431	22250	35681	1480.00	2106.89	175.57	74.43	250.00
2006	12807	24338	37145	1547.00	2417.02	201.42	48.58	250.00
2007	12220	26607	38827	1617.00	2756.24	229.69	20.31	250.00
2008	11657	29228	40885	1687.00	3126.89	260.57	0.00	260.57
2009	11136	31659	42795	1749.00	3531.17	294.26	0.00	294.26
2010	10641	33899	44540	1815.00	3970.58	330.88	0.00	330.88

Alaska Longevity Bonus Program, SB 8, Options A & B

Yearly Cost of Longevity Bonus (Millions of Dollars)

<u>Fiscal</u> <u>Year</u>	<u>Current</u>	<u>SB 8</u>	<u>Option A</u>	<u>Option B</u>
1993	67.2	67.2	67.2	67.2
1994	70.9	70.8	70.8	70.8
1995	74.5	73.5	73.6	73.5
1996	77.9	75.5	75.7	75.6
1997	80.9	76.7	77.1	77.0
1998	84.1	77.3	78.0	77.8
1999	87.2	77.2	78.2	77.9
2000	90.5	76.3	77.8	77.4
2001	93.5	74.4	76.4	75.9
2002	96.7	71.6	74.1	73.4
2003	100.0	67.6	70.9	70.0
2004	103.4	62.4	66.5	65.4
2005	107.0	55.9	60.8	59.5
2006	111.4	47.8	53.7	52.1
2007	116.5	37.8	44.9	42.9
2008	122.7	35.0	35.0	35.0
2009	128.4	33.4	33.4	33.4
2010	133.6	31.9	31.9	31.9

Permanent Fund Dividends
(Dollars)

<u>Fiscal Year</u>	<u>SB8</u>	<u>Option A</u>	<u>Option B</u>
1993	924	806	839
1994	970	849	883
1995	1022	899	933
1996	1066	942	975
1997	1111	988	1020
1998	1171	1049	1081
1999	1221	1102	1133
2000	1271	1155	1186
2001	1321	1210	1240
2002	1374	1268	1298
2003	1426	1327	1356
2004	1479	1388	1417
2005	1533	1452	1480
2006	1589	1519	1547
2007	1647	1589	1617
2008	1706	1662	1687
2009	1766	1724	1749
2010	1830	1791	1815

Monthly Annuities and Longevity Bonuses
(Dollars)

<u>Fiscal Year</u>	<u>SB 8</u>		<u>Option A</u>		<u>Option B</u>	
	<u>Monthly Annuity</u>	<u>Post FY 93 Bonus</u>	<u>Monthly Annuity</u>	<u>Post FY 93 Bonus</u>	<u>Monthly Annuity</u>	<u>Post FY 93 Bonus</u>
1993	0.00	250.00	0.00	250.00	0.00	250.00
1994	8.46	241.54	7.38	242.62	7.68	242.32
1995	17.94	232.06	15.67	234.33	16.31	233.69
1996	28.55	221.45	25.00	225.00	26.00	224.00
1997	40.32	209.68	35.38	214.62	36.74	213.26
1998	53.31	196.69	46.91	203.09	48.66	201.34
1999	67.77	182.23	59.80	190.20	61.97	188.03
2000	83.70	166.30	74.08	175.92	76.68	173.32
2001	101.20	148.80	89.84	160.16	92.91	157.09
2002	120.38	129.62	107.21	142.79	110.77	139.23
2003	141.39	108.61	126.33	123.67	130.41	119.59
2004	164.35	85.65	147.33	102.67	151.96	98.04
2005	189.40	60.60	170.35	79.65	175.57	74.43
2006	216.69	33.31	195.57	54.43	201.42	48.58
2007	246.42	3.58	223.18	26.82	229.69	20.31
2008	278.75	0.00	253.35	0.00	260.57	0.00
2009	313.89	0.00	286.31	0.00	294.26	0.00
2010	352.03	0.00	322.14	0.00	330.88	0.00

Prepared by Legislative Research Agency- 03/18/92 (92.200)

Alaska Longevity Bonus Program, SB 8, Options A & B

Yearly Cost of Longevity Bonus (Millions of Dollars)

<u>Fiscal</u> <u>Year</u>	<u>Current</u>	<u>SB 8</u>	<u>Option A</u>	<u>Option B</u>
1993	67.2	67.2	67.2	67.2
1994	70.9	70.8	70.8	70.8
1995	74.5	73.5	73.6	73.5
1996	77.9	75.5	75.7	75.6
1997	80.9	76.7	77.1	77.0
1998	84.1	77.3	78.0	77.8
1999	87.2	77.2	78.2	77.9
2000	90.5	76.3	77.8	77.4
2001	93.5	74.4	76.4	75.9
2002	96.7	71.6	74.1	73.4
2003	100.0	67.6	70.9	70.0
2004	103.4	62.4	66.5	65.4
2005	107.0	55.9	60.8	59.5
2006	111.4	47.8	53.7	52.1
2007	116.5	37.8	44.9	42.9
2008	122.7	35.0	35.0	35.0
2009	128.4	33.4	33.4	33.4
2010	133.6	31.9	31.9	31.9

Prepared by Legislative Research Agency- 03/18/92 (92.200)

**Permanent Fund Dividends
(Dollars)**

<u>Fiscal Year</u>	<u>SB8</u>	<u>Option A</u>	<u>Option B</u>
1993	924	806	839
1994	970	849	883
1995	1022	899	933
1996	1066	942	975
1997	1111	988	1020
1998	1171	1049	1081
1999	1221	1102	1133
2000	1271	1155	1186
2001	1321	1210	1240
2002	1374	1268	1298
2003	1426	1327	1356
2004	1479	1388	1417
2005	1533	1452	1480
2006	1589	1519	1547
2007	1647	1589	1617
2008	1706	1662	1687
2009	1766	1724	1749
2010	1830	1791	1815

**Monthly Annuities and Longevity Bonuses
(Dollars)**

<u>Fiscal Year</u>	<u>SB 8</u>		<u>Option A</u>		<u>Option B</u>	
	<u>Monthly Annuity</u>	<u>Post FY 93 Bonus</u>	<u>Monthly Annuity</u>	<u>Post FY 93 Bonus</u>	<u>Monthly Annuity</u>	<u>Post FY 93 Bonus</u>
1993	0.00	250.00	0.00	250.00	0.00	250.00
1994	8.46	241.54	7.38	242.62	7.68	242.32
1995	17.94	232.06	15.67	234.33	16.31	233.69
1996	28.55	221.45	25.00	225.00	26.00	224.00
1997	40.32	209.68	35.38	214.62	36.74	213.26
1998	53.31	196.69	46.91	203.09	48.66	201.34
1999	67.77	182.23	59.80	190.20	61.97	188.03
2000	83.70	166.30	74.08	175.92	76.68	173.32
2001	101.20	148.80	89.84	160.16	92.91	157.09
2002	120.38	129.62	107.21	142.79	110.77	139.23
2003	141.39	108.61	126.33	123.67	130.41	119.59
2004	164.35	85.65	147.33	102.67	151.96	98.04
2005	189.40	60.60	170.35	79.65	175.57	74.43
2006	216.69	33.31	195.57	54.43	201.42	48.58
2007	246.42	3.58	223.18	26.82	229.69	20.31
2008	278.75	0.00	253.35	0.00	260.57	0.00
2009	313.89	0.00	286.31	0.00	294.26	0.00
2010	352.03	0.00	322.14	0.00	330.88	0.00

Prepared by Legislative Research Agency- 03/18/92 (92.200)

Alaska State Legislature

Legislative Research Agency



130 Seward Street, Suite 218
Juneau, Alaska 99801-2196

Phone: (907) 465-3991
Fax: (907) 463-3351

April 10, 1992

A

MEMORANDUM

TO: Representative Gene Kubina

FROM: Paula d. Scavera and Paul Engelman
Legislative Analysts

RE: Alaska Longevity Bonus-Fifty Dollar Phase-Out
Research Request 92.231

You requested information concerning a \$50 annual reduction in order to phase out the Alaska Longevity Bonus Program. You specifically requested that the longevity bonus program phase-out be evaluated using two alternative funding sources, the general fund and the permanent fund dividend distribution account. The attached tables show the effects of each alternative.

Table 1 shows the impact of the \$50 phase-out proposal using general funds and compares it to the estimates of the current program costs.

Table 2 shows the impact of the phase-out proposal using the permanent fund dividend distribution account to fund longevity bonus program. Reduced estimated permanent fund dividends are compared to the current estimated permanent fund dividends.

If you have any questions or need further assistance, please contact this office.

Attachment

TABLE 1
ALB -\$50 Phase-Out General Fund

<u>Fiscal Year</u>	<u>Qualified Participants</u>	<u>Monthly Bonus Amount</u>	<u>Annual Cost (millions)</u>	<u>Current Program (millions)</u>
1992	21190	\$250	\$63.6	\$63.6
1993	22385	\$200	\$53.7	\$67.2
1994	23625	\$150	\$42.5	\$70.9
1995	24842	\$100	\$29.8	\$74.5
1996	25952	\$50	\$15.6	\$77.9
1997	26970	\$0	\$0.0	\$80.9

TABLE 2
ALB -\$50 Phase-Out PFD Distribution Account

<u>Fiscal Year</u>	<u>Qualified Participants</u>	<u>Monthly Bonus Amount</u>	<u>Annual Cost (millions)</u>	<u>Projected PFD</u>	<u>Reduced Projected PFD</u>
1993	22385	\$200	\$53.7	\$924	\$830
1994	23625	\$150	\$42.5	\$970	\$897
1995	24842	\$100	\$29.8	\$1,022	\$972
1996	25952	\$50	\$15.6	\$1,066	\$1,041
1997	26970	\$0	\$0.0	\$1,111	\$1,111

Sources: Alaska Department of Administration and
Alaska Permanent Fund Corporation

Prepared by Legislative Research Agency April 9, 1992 (92.231)

①

March 1, 1983

THE LONGEVITY BONUS PROGRAM:
OPTIONS UNDER THE VEST SETTLEMENT

JON K. TILLINGHAST
Birch, Horton, Bittner, Pescinger & Anderson

March 8, 1983

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residency who chose not to enter the newly-created Pioneers' Homes.³ The current program was enacted in 1972⁴ as a result of legislation introduced by Senators Butrovich and Ray.⁵ Quite unlike the "need-based" focus of its predecessors, the 1972 legislation was to:

"... provide all law-abiding Alaskans capable of managing their own affairs who have maintained a domicile in the state for at least 25 years and have reached a retirement age of 55, an incentive to continue uninterrupted residency in the state. Under no circumstances shall this chapter be considered a form, type, or manner, of public relief. The bonuses made under this chapter are not predicated on need even though they may appear to provide supplemental income to some qualified persons who would otherwise be forced to become responsibilities of the state. The Legislature further finds and states that this legislation recognizes the economic hardships suffered by many elderly Alaskans, Alaskans who through their tenacity and perseverance molded Alaska as we know it through skillful application of their talents. These pioneers are the same Alaskans who, in the prime of their life, were in effect treated as second class citizens by the federal government and who paid much of their hard earned income to a government in which they did not have the right to participate through the power of the ballot. The legislature also is aware of the fact that many of these pioneers have been forced to live out their retirement years in areas far away from the land they loved and nurtured and thereby also suffering, in many cases, the loss of familial relationship with their own kin, an experience that is sad and frustrating to them as well as depriving new generations of Alaskans the benefic of their wisdom and experience. This legislation hopefully will provide our pioneers with the economic means to remain in and continue to serve their state and to enjoy the opportunity of aiding

³Chapter 24, SLA 1915.

⁴Chapter 205, SLA 1972; AS 47.45.010 et. seq.

⁵SA 211, 7th Leg., 2nd Sess.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

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I. INTRODUCTION

On June 14, 1982, the United States Supreme Court ruled that the cumulative residency requirements of Alaska's permanent fund dividend distribution program violated the Equal Protection Clause of the United States Constitution.¹ Shortly thereafter, Alaska's Longevity Bonus ("ALB") Program was challenged on equal protection grounds.² On August 9, 1982, the Department of Law, with the approval of the Alaska Legislative Council, entered into a stipulation in the Vest case which stayed all proceedings pending adjournment of this legislative session, in order to afford the legislature an opportunity to address the constitutional problems with the existing program.

The purpose of this report is to analyze some 10 options available to the legislature in amending the Alaska Longevity Bonus Program. This report is a first step in a process which must be completed by the end of this session. As subparts (C) and (D) of this section discuss, the likely consequence of failing to enact remedial legislation this session is that the ALB program will be judicially terminated.

A. Description Of The Longevity Bonus Program

Predecessors of the existing ALB program can be traced to 1915. In that year, the Territorial Legislature authorized a monthly allowance of \$12.50 for needy elderly Alaskans of 10 years

¹Zobel v. Williams, 72 L. Ed. 2nd 672 (1982)

²Vest v. Shafer, 1 JU-82-1103 Civ. (1st Jud. Disc., 1982)

residency who chose not to enter the newly-created Pioneers' Homes.³ The current program was enacted in 1972⁴ as a result of legislation introduced by Senators Bucroich and Ray.⁵ Quite unlike the "need-based" focus of its predecessors, the 1972 legislation was to:

"... provide all law-abiding Alaskans capable of managing their own affairs who have maintained a domicile in the state for at least 25 years and have reached a retirement age of 65, an incentive to continue uninterrupted residency in the state. Under no circumstances shall this chapter be considered a form, type, or manner, of public relief. The bonuses made under this chapter are not predicated on need even though they may appear to provide supplemental income to some qualified persons who would otherwise be forced to become responsibilities of the state. The Legislature further finds and states that this legislation recognizes the economic hardships suffered by many elderly Alaskans, Alaskans who through their tenacity and perseverance molded Alaska as we know it through skillful application of their talents. These pioneers are the same Alaskans who, in the prime of their life, were in effect treated as second class citizens by the federal government and who paid much of their hard earned income to a government in which they did not have the right to participate through the power of the ballot. The legislature also is aware of the fact that many of these pioneers have been forced to live out their retirement years in areas far away from the land they loved and nurtured and thereby also suffering, in many cases, the loss of familial relationship with their own kin, an experience that is sad and frustrating to them as well as depriving new generations of Alaskans the benefit of their wisdom and experience. This legislation hopefully will provide our pioneers with the economic means to remain in and continue to serve their state and to enjoy the opportunity of aiding

³Chapter 24, SLA 1915.

⁴Chapter 205, SLA 1972; AS 47.45.010 et. seq.

⁵SB 211, 7th Leg., 2nd Sess.

the new Alaskan in making the state truly "The Great Land." §1, Ch. 205, SLA 1972.

The ALS program, then, has several purposes:

1. providing an incentive for a particular class of senior citizens to remain in the state;
2. compensating for the hardships faced by retirement in Alaska;
3. rewarding the past contributions of Alaska's elderly;
4. compensating for past hardships suffered by Alaska's pioneers; and
5. retaining the wisdom and experience of Alaska's pioneers.

Originally, the bonus was \$100 per month. Over the years, the amount has gradually increased to its current \$250 per month.⁶ A person is eligible for a bonus if he or she:

1. is 65 years of age or older;
2. was "domiciled in the territory" on or before January 3, 1959; and
3. has been continuously domiciled in the state for 25 years.⁷

Additionally, if a person is absent from the state for more than 30 days, he will not receive another bonus until he returns. AS 47.45.030. If the person is absent for a continuous period in excess of 180 days, he is ineligible for a bonus for the next 12 calendar months following his return. Id.

⁶Chapter 13, SLA 1981

⁷AS 47.45.010

Exceptions are made if the absence "is beyond the control of the recipient." Id.

The longevity bonus is taxable under the Internal Revenue Code. However, it is almost universally excluded in calculating income eligibility for state and federal assistance programs.⁸

B. The Individuals Covered By The Alaska Longevity Bonus Program.

There are currently some 9,425 Alaskans receiving some \$23.4 million in longevity bonus payments. Sketching an accurate portrait of the state's ALB recipients is difficult, because the ALB application form requires little personal information. In 1976, the Alaska Department of Health and Social Services conducted a random survey of ALB recipients,⁹ and, in conjunction with the Vest

⁸Under 42 U.S.C. §1382(a)(b)(2)(3), which governs eligibility for federal Supplemental Security Income, and by reference also controls other federal programs such as Medicaid and energy assistance, the following is excluded from the definition of income:

"monthly (or other periodic) payments received by any individual under a program established prior to July 1, 1973, if such payments are made by the State of which the individual receiving such payments is a resident, and if eligibility of any individual for such payments is not based on need and is based solely on attainment of age 65 and duration of residence in such state by such individual."

⁹"Alaska Longevity Bonus Impact Survey," Alaska Department of Health and Social Services (1976) (hereinafter "ALB Survey")

settlement, the Department of Law conducted a non-random survey of some 1,396 participants.

From those surveys, it is apparent that a large percentage of ALB recipients are Alaska Natives living in rural areas of the state.¹⁰ Moreover, and in large part because of the ineligibility of many rural residents for social security, the longevity bonus is often the primary source of income for rural residents. For example, 41% of the elderly in Southwest Alaska, and 66% in Northwest Alaska, rely on the longevity bonus as their primary source of income.¹¹

Available evidence suggests that a large percentage of ALB recipients have incomes only marginally above the current state welfare assistance level of \$546 per month. The Department of Law's 1982 survey -- which was skewed toward the more needy recipients of the ALB -- found that 81.4% of the 1,396 recipients sampled had monthly incomes of \$750 or less. The 1976 ALB survey found that half of the ALB recipients had a monthly income, "including that of their spouse," of under \$500 per month.¹² Another

¹⁰In 1976, 41% of the ALB recipients lived in rural areas of the state and 24.1% were Alaska Natives. ALB Survey at 14-15.

¹¹"An Assessment of the Status and Needs of Alaska's Elderly," Department of Sociology, College of Arts & Sciences, University of Alaska (1981) (hereinafter "Assessment.")

¹²ALB Survey, op. cit. n. 9 at 13-15.

444 had incomes of less than \$1,000 per month. A 1981 University of Alaska survey indicated that roughly half of Alaska's elderly had monthly incomes of less than \$300.00.¹³

The 1976 ALB survey suggests that, in light of the high percentage of bonus recipients in the 65-70 age group, the bonus has had a material effect in allowing older citizens to remain in the state after retirement.¹⁴ The report also indicates that the ALB program has allowed a significant percentage of the elderly to remain off various public assistance programs -- including food stamps and state Old Age Assistance.¹⁵

One significant characteristic of Alaska's elderly in general warrants note -- one that will become quite significant in our analysis of alternatives. Only 10% of Alaska's elderly have resided in the state for 10 years or less.¹⁶

C. The Effects of Zobel And Vest On The ALB Program.

In reviewing the 1972 legislation creating the Longevity Bonus Program, the Department of Law concluded that "... the classification predicated upon being domiciled in the territory on or before January 3, 1959, bears little, if any, rational relationship to any legitimate legislative purpose which this bill is conceivably designed to serve and thus is in

¹³Assessment, op. cit. n. 11 at 31.

¹⁴ALB Survey, op. cit. n. 9 at 12.

¹⁵Id. at 10, 13.

¹⁶Assessment, op. cit. n. 11 at 12.

all probability unconstitutional."¹⁷

Nonetheless, the ALB program remained unchallenged until 1962, following the U.S. Supreme Court's decision in Zobel v. Williams (hereafter "Zobel III").¹⁸

The law in issue in Zobel III (AS 43.23.010 et. seq.) provided for the distribution of a permanent fund dividend of \$50.00 for each year of accumulated Alaska residency. The Court ruled, 3-1, that the cumulative residency requirement of the program was not rationally related to the goals of the statute -- a ruling which is discussed in more detail in section II(A), post.

The permanent dividend fund distribution program, in part, was intended to reward Alaskans for prior contributions to the state, a goal which: (1) three justices believed was constitutionally impermissible;¹⁹ and (2) five justices believed was a permissible goal, but was not rationally furthered by a scheme

¹⁷Memorandum, Havelock to Egan, Re: FCCS HCS CSSB 211 at 17 (June 29, 1972).

¹⁸In Williams v. Zobel, 619 P.2d 422 (Alaska 1980) ("Zobel I"), the Alaska Supreme Court invalidated the state's graduated personal income tax repeal. In Williams v. Zobel, 619 P.2d 448 (Alaska 1980) ("Zobel II"), the court upheld the cumulative residency requirement of Alaska's permanent fund dividend distribution plan -- a ruling reversed by the U.S. Supreme Court in Zobel III.

¹⁹Opinion of the Court, 72 L. Ed. 2nd at 679.

which awarded dividends solely on the basis of residency.²⁰

Beyond the ruling of the case, the various opinions -- particularly those of the concurring justices -- are rich in foreboding language suggesting that any durational residency requirement may receive "intensified scrutiny" by the Court, and will be justified only in "rare" circumstances.²¹

As is more fully discussed in Part II(A), post, the impact of the Zobel decision upon the ALB program was apparent. Two major goals of the existing ALB program are to reward elderly Alaskans for their prior contributions, and to compensate for past hardships and suffering -- ends which are implemented by a durational residency requirement more severe than that at issue in Zobel. A challenge to the ALB program was not long in coming. On July 6, 1982, one Rodney G. Vest challenged the ALB program in Superior Court in Juneau.²² Mr. Vest is an elderly Alaskan whose residency in the state commenced three months after statehood. His complaint sought declaratory and injunctive relief striking the durational and statehood residency requirements of the act.

The State's response was colored by §2 of the legislation, which provided, inter alia, that:

²⁰See Brennan conc., 72 L. Ed.2d at 634; O'Connor conc., 72 L. Ed. 2d at 635.

²¹Brennan conc., 72 L. Ed. 2d at 681, 684.

²²See n. 2, ante.

"if any provision of this act, or the application of a provision of this act to any person or circumstance is held invalid, this entire act shall be considered invalid."

As the Department of Law explained in reviewing the 1972 law:

"It is clear that the intent of the Legislature expressed in Section 2 of the bill is to forestall the possibility that a partial declaration of unconstitutionality would result in broadening the coverage of the bill to include additional clauses. This would be the case, for example, if either the 25 year waiting period requirement or the January 3, 1959 cutoff date were declared invalid, and the bill was expressly or impliedly severable."²³

Thus, invalidation of the Longevity Bonus Program would result not in expanding the number of ALB recipients, but rather in the abrupt termination of the entire program.

Facing that grim probability, the State, with the approval of the Alaska Legislative Council, entered into an agreement with Vest, a copy of which is attached as Appendix A. The essence of the agreement is as follows:

1. Proceedings in the Vest case are stayed through the conclusion of this legislative session. Because that case has been subsequently certified as a class action,²⁴ existing ALB recipients are not in jeopardy at least through adjournment of this session;
2. The Alaska Legislative Council promised to use its "best efforts" to secure the enactment of legislation which treated equally "all persons 65 years or older as of July 1, 1982, who have been bona fide Alaska residents for at least one year prior to that date";

²³Op. cit. n. 17 at 5.

²⁴Order Certifying Class and Directing Notice to Class Members, Dec. 1, 1982.

3. If legislation of this sort were enacted this session, the suit would be dismissed; and

4. Recognizing that the Council could not bind the legislature, if legislation is not enacted, Mr. West may pursue his case, with the probable result that the program will be terminated.

There are three aspects of the settlement which warrant note. First, obviously, are the severe time constraints under which the legislature is operating. Second, there is the settlement's intentionally broad litmus test of acceptable legislation. All the legislature need do is treat all elderly, one-year Alaskan residents "equally." The standard could be met by any number of options, including repeal of the program. Third, there is the inescapable financial impact of the settlement itself. In order to treat all elderly Alaskans who were one-year residents as of July 1, 1982 equally, it will be necessary to fund retroactive longevity bonus payments under the existing program to the some 3,300 elderly Alaskans who would have qualified. The necessary retroactive appropriation is approximately \$11.4 million.

Of course, the legislature itself is not "bound" to pass any particular kind of legislation, or any legislation or appropriation at all. While a "best efforts" clause is enforceable, that obligation runs only to the Alaska Legislative Council, which has already demonstrated both good faith and diligence in attempting to meet the obligations of the order and settlement.

D. Scope And Intent Of This Report.

The purpose of this report is not to recommend particular amendments to the Alaska Longevity Bonus Program. As Section II, post makes plain, any "recommendation" is a function of the goals which the legislature seeks to achieve through this exercise.

Rather, the goal of this report is to assemble a comprehensive list of alternatives proposed by various interested parties, and to analyze the alternatives in light of:

1. constitutional constraints;
2. fiscal impacts;
3. practicability; and
4. the effect of any changes on the elderly's eligibility for other programs.²⁵

In developing a list of alternatives, this report has included five options examined by the Sheffield Administration, and five alternatives developed by the authors of this report. The information presented with respect to each option is intended to be sufficient for a threshold determination of feasibility. The report attempts to anticipate the major problems and issues surrounding each option; however, it is not intended to exhaust the details of every proposal.

Rather, the report should be used as a basis for the Senate Judiciary Committee's preliminary indication of

²⁵See Section II.(C) post.

preference. We are recommending that the committee choose two or three primary options. We will then prepare implementing legislation and a detailed analysis of the primary options. Under this approach, the committee will not be required, at this early point, to make an "all or nothing" choice. It will also afford the committee flexibility in the event that, for some presently unforeseeable reason, one option becomes impracticable.

Draft implementing legislation and a detailed analysis of the committee's choices can be transmitted within two to three weeks, depending on the options chosen.

B. Alternatives Included In This Report.

The options included in this report, which are analyzed in turn in Section III, are:

1. expand the Alaska Longevity Bonus Program to include all elderly Alaskans with one-year's residency;
2. phase out the Alaska Longevity Bonus Program by gradually reducing benefits;
3. phase out the Alaska Longevity Bonus Program by gradually reducing benefits, while contemporaneously raising the eligibility limits for general state assistance;
4. providing a minimal base payment under the Alaska Longevity Bonus Program based solely on one-year's residency, with supplemental payments made on the basis of need;
5. phase out the Alaska Longevity Bonus Program by increasing the age eligibility each year;
6. create an annuity plan, with the annuity corpus consisting of permanent fund distributions. This option would necessitate a transition program for those persons 40 years and older;

7. fund the Alaska Longevity Bonus Program through a "pay as you go" social security system, funded by approximately 15% of the existing permanent fund dividend distributions;

8. replacing the Alaska Longevity Bonus Program with a comprehensive health insurance program for elderly Alaskans;

9. condition eligibility for a longevity bonus upon a demonstration of hardship which would be suffered by being unable to continue Alaska residency; and

10. open the Alaska Longevity Bonus Program to all one-year residents, and terminate the program -- giving FY 1984 recipients a grandfather right to continued bonuses.

II. CONSTRAINTS ON THE CHOICE OF OPTIONS

There are four basic considerations in choosing a package of amendments to the Alaska Longevity Bonus Program. The purpose of this section is to provide an overview of the constraints and policy choices which should play a role in this committee's decision.

A. Constitutional Constraints.

The obvious and primary constraint on any set of amendments to the Alaska Longevity Bonus Program lies in the equal protection clauses of the United States (Amendment 14) and Alaska (Art. 1, §1) constitutions. The existing Alaska Longevity Bonus Program discriminates between Alaska residents based on their duration of residency; moreover, all of the alternatives considered by this report involve some durational residency requirement.

Under both the federal and Alaska constitutions, a durational residency requirement which conditions or denies either a "fundamental right" or a "basic necessity of life" is valid only if the discrimination is necessary to further a compelling state interest. Zobel II, 619 P.2d at 448; Memorial Hospital v. Maricopa County, 415 U.S. 250, 259 (1974). "Fundamental rights" involve such things as voting,²⁶ while "basic necessities of life" include basic medical care²⁷ and welfare.²⁸

The so called "right to travel" -- which any durational residency requirement arguable affects -- is not a fundamental right automatically triggering the compelling state interest test. Zobel II, 619 P.2d at 425-426, Zobel III, 72 L.Ed. 2d at 677-678.²⁹

We are confident in concluding that longevity bonus is not a "basic necessity of life." The program is not welfare -- it is not based on need. Basic indigent assistance -- including both income supplements and Medicaid -- are available to the

²⁶Dunn v. Blumschein, 405 U.S. 330 (1972).

²⁷Memorial Hospital v. Maricopa County, 415 U.S. 450 (1974).

²⁸Shapiro v. Thompson, 394 U.S. 613 (1969).

²⁹One of the oddities of Justice Brennan's concurrence in Zobel III was his view that the "right to travel" is a "fundamental" right (id. at 682) -- although impairment of that right by a durational residency requirement should be tested under the deferential "rationally related" standard (see text, post) or at worst "intensified ... scrutiny." Id. at 681.

needy in this state.³⁰ The longevity bonus program seems more akin to the permanent fund dividend, which the Alaska Supreme Court held in Zobel II was not a "basic necessity of life." 619 P.2d at 445. As the Court of Appeals for the Ninth Circuit has observed:

"Deprivations which are only uncomfortable are not enough, such as conditioning lower tuition at state institutions of higher education upon a one-year residency requirement." Fisher v. Reiser, 610 F.2d 629, 639 n. 5 (1979), cert. denied 447 US 930.

Under the federal constitution, then, any durational residency requirement imposed by amendments to the ALB program need only be "rationally related" to a legitimate governmental purpose. Zobel III, 72 L.Ed. 2d at 678. As this section will discuss, however, that standard is occasionally more deferential in its terms than in its application.

Conversely, under the Alaska Constitution, a durational residency requirement will withstand scrutiny only if it is "fairly and substantially related" to a legitimate governmental purpose. Zobel I, 619 P.2d at 427. The more the balance tips in favor of the individual, the more necessary the discrimination must be in order to further the law's purpose. Id.

From these standards, the following ground rules can be extracted from applicable case law:

³⁰Sae Memorial Hospital v. Maricopa County, 415 U.S. at 261

1. Unquestionably, the "length of residence may be used to test the bona fides of citizenship." Zobel III, 72 L.Ed. 2d at 634 (Brennan conc.). In other words, the state may, by a durational residency requirement, "make virtually certain (that the recipients of the program are) bona fide residents of the state ..." Vlandis v. Kline, 412 U.S. 441, 453-454 (1973).

As a general rule, attorneys have assumed that in cases not involving the "compelling state interest" standard, a one-year durational residency requirement is permissible as a presumption of domiciliary. See, Starns v. Malkerson, F. Supp. 326, 234 (Minn. 1970), affd. mem. 401 U.S. 985 (1971). Moreover, the State of Alaska has taken the position that in cases involving either particularly attractive benefits, or particularly transient populations, a durational residency requirement in excess of one year is constitutionally permissible. See Motion For Summary Judgment, September 8, 1982, Andress v. Baxter, et al., No. A82-307 Civil, U.S. District Court, (D. Alaska 1982).

For the purposes of the Longevity Bonus Program, there are three reasons why it makes little sense to attempt a multi-year durational residency requirement as a presumption of domiciliary. First, the attempt would lack substantial

precedential support. Second, it would be contrary to the August 9, 1952 settlement in the Vest case. Finally, and as noted previously, a durational residency requirement would not begin to exclude significant numbers of elderly Alaskans unless it was in excess of 10 years.

2. Durational residency requirements may be permissible for reasons other than presuming domiciliary, although at least four justices of the United States Supreme Court believe that those situations are "rare." Zobel III, 72 L.Ed. 2d at 684.³¹

At the outset, a state cannot use a lengthily durational residency requirement to reward long time residents for their prior contributions to the state. To a majority of the court, while the purpose itself is permissible, a durational residency requirement is irrationally tailored to that goal -- a point bluntly made by Justice O'Connor in her concurrence:

"A multitude of native Alaskans -- including children and paupers -- may have failed to contribute to the state in the past. Yet the state does not dock paupers for their prior failures to contribute, and it awards every person over the age of 18 dividends equal to the number of years that person has lived in the state." 72 L.Ed.2d at 689.

The flip side of rewarding a person for prior contributions is compensating a person for prior hardships. That, as noted previously, is a second major goal of the

³¹One "rare" example cited by the four concurring justices was qualification of public office. Id.

existing ALB program. If it is irrational to assume that all long time residents "contributed" to the state, it may be equally irrational to assume that all long time residents suffered substantial past hardship.

There is one universal hardship which equates with territorial residency -- the lack of franchise. It is conceivable that a Longevity Bonus Program intended to compensate for that lack of representation would be constitutionally permissible. However, that rationale would only justify the January 3, 1959 residency requirement -- not the 25-year continuous residency provision of the act.

A much closer question is posed by the program's goal of allowing elderly Alaskans to remain in the state who would suffer particularly severe hardship if they were financially required to relocate. Justices Dimond and Matthews of the Alaska Supreme Court believe this may be a constitutionally permissible goal substantially furthered by a durational residency requirement:

"... a state Longevity Bonus ... require(s) lengthy residency. Both those programs, however, are apparently designed to help those individuals who would like to retire in the state but cannot afford to do so because of the high cost of living. The state might well want to limit the benefits to those that would suffer the most hardship by being forced to leave, and it seems reasonable to suppose that a long period of residency would be some indicia of close ties to Alaska and the disruption that leaving might cause." Zobel II, 619 P.2d at 469 n. 13 (Dimond dissenting).

The Department of Law, in fact, has concluded that the Pioneers' Home may be constitutionally defensible as a reasonable means of accomplishing precisely this goal.³² Indeed, one option considered in this report would award longevity bonuses on the basis of hardship caused by relocation -- which in turn would be measured in part by length of residence. By making length of residency "some indicia" (619 P.2d at 469) of the hardship of relocation, the option would avoid the indictment of overbreadth which was fatal to the permanent dividend fund distribution program in Zobel III.

Finally, as to the ALB program's goal of providing an incentive for a specific subclass of Alaska's elderly to remain in the state, the courts in all likelihood would view that purpose as merely discrimination for its own sake. See Zobel III, 72 L.Ed. 2d at 673-679. Presuming that only long-time residents have the requisite "wisdom and experience" to warrant subsidization is hardly likely to impress the U.S. Supreme Court.

B. Varving Goals of Several Longevity Bonus Options.

There is a substantial difference of opinion as to what an amended ALB program should accomplish. As noted previously, the legislature may wish to retain one of the major goals of the existing program -- allowing those elderly with the closest ties to Alaska to continue to live here.

³²1932 Op. Atty. Gen. _____ (November 26, 1932) at 25.

Alternatively, the fiscal consequences of the various alternatives may be the primary consideration. As previously discussed, if legislation in conformity with the Fast settlement is enacted, an additional \$11 million must be appropriated as retroactive bonus payments to July 1, 1982. Several of the options which propose to phase out the program, or which propose a conversion to permanent fund earnings, are partially or primarily directed at this end.

The primary goal of the legislation may also be to protect those currently most dependent upon the bonus. The current Old Age Assistance income level is \$546.00 per month and there are approximately 2,300 elderly Alaskans receiving state assistance. Since the longevity bonus is not included in the calculation of income for state assistance, the practical consequence of a phase out or termination of the program would be to materially reduce the available income of the poorest elderly Alaskans. Moreover, as noted in Section I(3), ante, there are a large number of elderly Alaskans who are currently only marginally above the existing state poverty level.

There are two options particularly sensitive to this goal -- the phase out of the ALB program in conjunction with a correlative rise in state assistance levels, and the option of compensating those who would suffer the most hardship by relocation.

With respect to this goal, however, it should be stressed that the existing ALB program has been purposefully structured so as to not be a "welfare program." Precisely for that reason, the program is administered by the Department of Administration, rather than the Department of Health and Social Services, and any conversion to a "need-based" program will undoubtedly offend the dignity of many elderly Alaskans.

Finally, there is the possible goal of providing a long term, stable bonus program which frees the general fund from increasing commitments. The annuity and state social security options are primarily directed at this goal.

C. Consequential Effects of Any Amendment To The Longevity Bonus Program.

Any change to the Longevity Bonus Program may have two consequences which must be considered: (1) the continued eligibility of ALB recipients for other state or federal assistance programs; and (2) tax consequences on participants.

As noted in Section I(A), ante, under federal law the ALB is excluded from the definition of "income" for many federal assistance purposes.³³ As long as any amendments to the ALB program continue to base eligibility "solely on attainment of age 65 and duration of residency," and remain sufficiently similar to the existing program so as to be fairly called "a program established prior to July 1, 1973," the exemption would be retained.

³³See n. 3, ante.

Obviously, any material changes in eligibility requirements or structure of the program raise the risk that the new benefit will be included as "income," and many elderly Alaskans will be terminated from the applicable federal program. The Department of Health and Social Services has estimated the impacts from a loss of the longevity bonus exclusion. Those estimates appear at Appendix 3 of this report.

Anticipating the same problem with permanent fund dividends, the legislature, in the 1982 Special Session, provided that the state would substitute lost benefits for a period of four months.³⁴ Obviously, and to the extent possible, any amendments to the ALB program should either be tailored to the existing exception, or fall within another separate statutory income exclusion such as a "need based" payment.³⁵

The tax consequences of amendments to the existing ALB program become particularly important with respect to this report's annuity option -- which is treated in detail in Section III (F), post. At the outset, it is sufficient to note that:

1. The existing longevity bonus program is taxed under the Internal Revenue Code;
2. Any ALB program which is based on need, or could be characterized as a "social benefit program for the promotion of the general welfare," would in all likelihood not be taxed by the IRS; and³⁶

³⁴AS 43.23.075.

³⁵See 42 U.S.C. §1332(a)(b)(5).

³⁶See IRS Revenue Rulings, 63-136, 1963-2 C.B. 19; 68-13, 1968-1 C.B. 425; 72-340, 1972-2 C.B. 31; 73-170, 1973-1 C.B. 24.

3. On February 27, 1981, the Internal Revenue Service ruled that dividends distributed under the state's prior permanent dividend fund legislation -- the statute invalidated in Zobel III -- were taxable under the Internal Revenue Code.³⁷ While the IRS has yet to rule on the existing dividend program, it is likely that taxation of the permanent fund dividend could be deferred if it is used to fund the annuity or social security options discussed in this report.

III. DISCUSSION OF ALTERNATIVES

A. Expanding The Class Of Alaska Longevity Bonus Recipients To Include All Elderly With One-year's Residency.

There are currently some 9,425 Alaskans who receive bonuses totaling \$23.23 million. This proposal would require additional appropriations for (1) bonuses for an additional 3,303 people; and (2) additional clerical support in the Department of Administration. The additional costs would total \$12 million in FY 1984, increasing to \$13.7 million in FY 1985.³⁸

These appropriations are in addition to the \$11.4 million retroactive award required under the Vest settlement.

The advantages of this option are two-fold. First, it is one of the constitutionally "safest" options. Second, since eligibility would remain dependent on "duration of residence" -- albeit only one-year -- in all likelihood it would fall within the existing ALE exclusion to federal assistance programs.

³⁷IRS Index Nos. 0061.40-00; 0451.20.00; 0102.00-00.

³⁸Department of Administration draft fiscal note, January 11, 1983.

Additionally, while theoretically any "one-year" elderly Alaskan could take advantage of this program, the demographics of Alaska's elderly (see Section 1(3), ante) are such that the primary beneficiaries of this option would be those who have lived in the state from 10 to 25 years. Whether such a program would encourage in-migration is problematical.

In addition to obvious fiscal disadvantages, this alternative would dilute the dignity and recognition attendant the current bonus to the point of non-recognition.

3. Phase Out The Existing Longevity Bonus Program.

One of the options analyzed by the Sheffield administration would phase out the ALB Program by reducing benefits by \$50.00 each year beginning with FY 1984. By paying \$200.00 a month to 13,228 recipients rather than \$250.00 to 9,425, the net increase to the program in FY 1984 would be \$2.1 million. In fiscal year 1985, however, when the bonus is reduced to \$150.00, there will be a net decrease of \$8.7 million in program costs.

This option has been unfavorably viewed by the administration, and apparently was prepared only as a point of comparison. Despite its fiscal benefits, the proposal protects no one. The poorest of Alaska's elderly would suffer the most. Since, as discussed previously, Alaska longevity bonuses are not counted in existing state and federal assistance income limits, the needy elderly person in Alaska receives, currently, a

subsidized monthly income of \$545 for Old Age Assistance, plus \$250 from the ALB program. This option would thus materially reduce state assistance levels.

C. Phase Out The Existing Longevity Bonus Program With A Contemporaneous Increase In State Assistance Levels.

The apparent "preferred" option of many with the Sheffield administration is to gradually increase state Old Age Assistance levels while at the same time gradually decreasing the amount of the longevity bonus. The program would function in the following manner:

CHART 1.

YEAR	OLD AGE ASSISTANCE LEVEL	ALASKA LONGEVITY BONUS
FY 1983	\$545	\$250
FY 1984	\$595	\$200
FY 1985	\$645	\$150
FY 1986	\$695	\$100
FY 1987	\$745	\$ 50
FY 1988	\$795	\$ 0

In analyzing the fiscal impacts of this alternative, assumptions must be made about how many elderly Alaskans will become eligible for Old Age Assistance as the OAA income level increases, and how many of the newly eligible will be inclined to seek assistance as their longevity bonus gradually diminishes.

Regardless of which assumptions are used; the impacts upon the longevity bonus program, are, of course, identical to the "phase out" option. Those impacts would be as follows:

CHART 1.

ADDITIONAL COST (SAVINGS) TO THE ALE PROGRAM (in millions)

FY 1984	2.1
FY 1985	(3.7)
FY 1986	(19.2)
FY 1987	(30.9)
FY 1988	(44.1)

The fiscal impact upon the Department of Health and Social Services' OAA program is far more difficult to determine. The Department of Administration has used two alternative assumptions -- (1) that of the 13,223 elderly in Alaska, 5% will become eligible and apply for public assistance as the income level is increased to \$796 in FY 1983; or (2) that 25% of the elderly will become eligible and apply for assistance during that period.

We believe that the 25% possibility may be closer to the truth. Approximately 30% of Alaska's elderly have monthly incomes marginally above existing assistance levels -- from \$500-\$800 per month.³⁹ If those figures are accurate, as many as 3,968 will become eligible for public assistance -- in addition to the 2,300 currently on the OAA program.

The second variable involves the size of the benefits which the new clientele will receive. The Department of Health and Social Services has assumed that each new recipient will receive the mean benefit currently given or projected for

³⁹Assessment, op. cit. n. 11 at 31.

existing recipients -- 5295 in FY 1984.

In computing the fiscal impacts for this option, we have used the following three assumptions:

(1) Of the 3,963 elderly whom current data suggest could be eligible for the increased OAA program, 2500 will in fact apply. This figure arbitrarily discounts both those who will decline to apply for psychological reasons, and those who will not apply because the minimal benefits to them are simply not worth the bother;

(2) Because we have discounted those who will receive minimal benefits, we have retained the "mean benefit" assumption employed by the Department of Health and Social Services; and

(3) The new recipients will be evenly distributed over each of the five years -- so that in each year an additional 500 recipients will be added to the OAA program.

Additionally, persons who become eligible for Old Age Assistance will also become eligible for Medicaid. The State's Medicaid budget for FY 1983 is \$65 million dollars. 48% of that figure -- or \$31.2 million -- is paid by the State. Some 23% of that budget -- or \$7.17 million dollars -- is attributable to those currently on Old Age Assistance. If the OAA population doubles over the next five years -- as our assumptions presume that it will -- there will be an additional cost of \$7.17 million (not adjusted for inflation) to this option, chargeable in equal portions to each of the next five fiscal years.

With these assumptions, the following chart illustrates the possible net fiscal impact of this option:

CHART 3

<u>Year</u>	<u># Add. on OAA</u>	<u>Mean Benefit</u>	<u>-----IN MILLIONS-----</u>		
			<u>Added Medicaid Costs</u>	<u>Added ALB Costs (Savings)</u>	<u>Net</u>
FY 1984	500	\$295.02	1.4	2.1	5.27
FY 1985	1000	345.02	2.3	(3.7)	(1.76)
FY 1986	1500	395.02	4.2	(19.2)	(5.90)
FY 1987	2000	445.02	5.5	(30.9)	(14.50)
FY 1988	2500	495.02	7.0	(44.1)	(29.30)

Thus, even with fairly liberal assumptions regarding the number of additional OAA clients and Medicaid costs, this option will begin saving money in FY 1985.

Moreover, for those elderly in the \$500 - 800 per month income range who pay some federal taxes, the option would have advantages, since increased need based assistance, unlike the longevity bonus, should not be taxed under the Internal Revenue Code.

One obvious disadvantage of this option is that it transforms the longevity bonus program into a welfare scheme. Persons who currently receive \$796 or less per month -- including the bonus -- will indeed be "held harmless" under the option, but only at the expense of applying for assistance to the Department of Health and Social Services.

Moreover, those current elderly bonus recipients whose monthly incomes (excluding the bonus) exceed \$796 per month will receive no protection under this option.

Finally, because welfare payments are generally viewed by the courts as involving "basic necessities of life" (see §II(A), ante), the durational residency requirement for increased old age assistance must be dropped from one year to 30 days.⁴⁰ The minimum national old age assistance level under the Federal Supplemental Security Income system -- which OAA supplements -- is \$234.30/mo.. A person with \$600 a month income in a "minimum benefit" state is presumably ineligible for old age assistance (including Medicaid) in that state, but could become eligible under the Alaska system upon 30 days residency. While the mere prospect of an additional \$196 per month (in FY 1988) is unlikely to induce people to retire in Alaska, the concomitant provision of Medicaid services -- including full nursing home coverage -- may have that effect. If a person can obtain free nursing home coverage -- valued at between \$40 - \$60,000 per year -- simply by spending the month of August in Anchorage, the State may face a rather remarkable in-migration problem indeed.

D. Retaining A Modest Longevity Bonus, While Providing A "Need Based" Supplement.

This option is largely a variant of option C, and has been discussed by the Sheffield Administration as a means of

⁴⁰Shapiro v. Thompson, 394 U.S. 613 (1969).

retaining some longevity bonus payments which could not be considered "welfare."

Under this option, the longevity bonus, as with Option C, would be gradually reduced to, say, \$100.00 per month. As the fiscal information for alternatives B and C suggest, this alternative would result in a savings to the longevity bonus program of \$19.2 million by FY 1986.

To compensate for the loss of \$150.00/mo. to the needy, either State OAA limits could be increased by \$150, or a separate "need based bonus supplement" could be established by the Department of Administration.

The advantage of the latter option is that although based on "need," applicants will not be dealing with the Department of Health and Social Services, and may view the supplement less as a form of welfare. Additionally, since the supplement will be provided under a program other than State OAA, its recipients would not be entitled to Medicaid (including nursing home coverage) unless they are otherwise eligible for OAA under existing limits.

Additionally, the "need" is not necessarily limited to financial need. As this report's discussion of Option I indicates, longevity bonuses may be apportioned according to the hardship which the elderly would face by being forced to retire outside Alaska.

The disadvantage of a separate "need based" program in the Department of Administration is, of course, the necessary creation of a parallel bureaucracy in state government.

The fiscal costs of this option have not been developed by the administration or this report because of the variables involved -- the size of the remaining "basic" longevity bonus, and the question of administration. Costs of administration aside, the net savings to the State should be substantially similar to the FY 1986 figures for Option C -- in which the declining longevity bonus payment would be \$100.00 per month. The projected net savings of \$5.9 million would certainly exceed the costs of even a parallel bureaucracy within the Department of Administration.

E. Gradual Increase In The Age Of Eligibility.

Another option explored by the Administration would reduce the durational residency requirement for a bonus to one year, but raise the eligibility age each fiscal year. For FY 1984, the age would be raised to 66; to 67 in FY 1985; and so on.

This option would have a substantial fiscal impact until fiscal year 1988, at which time mortality would have reduced the class of beneficiaries below existing levels. For FY 1984, the option would cost an additional \$9.5 million dollars beyond existing funding levels, according to the Department of Administration.