

State of Alaska FY2005 Governor's Operating Budget

Department of Revenue Permanent Fund Dividend Component Budget Summary

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Component: Permanent Fund Dividend

Contribution to Department's Mission

The mission of the division is to administer the Permanent Fund Dividend Program.

Core Services

- Administration of the annual application process
- Investigation and prosecution of PFD fraud; collection of dividend payments made to ineligible applicants
- Administration of the appeals process for denied applicants
- Garnishee dividends as appropriate
- Provide information from the PFD data base

End Results	Strategies to Achieve Results
<p>(1) All eligible Alaskans, whose applications are not on appeal, receive their Permanent Fund Dividend in October.</p> <p><u>Target:</u> 100% of eligible applicants not in appeal are paid in October. <u>Measure:</u> Percentage of eligible applicants not in appeal who are paid in October.</p> <p>(2) Processing cost per application is reduced.</p> <p><u>Target:</u> Reduce overall processing cost per application by 25%. <u>Measure:</u> Percentage reduction in cost per application.</p> <p>(3) Applicants who fraudulently file dividend applications are identified and prosecuted.</p> <p><u>Target:</u> Increase identification and prosecution of fraud by 100%. <u>Measure:</u> Number of cases identified and prosecuted.</p>	<p>(1) Provide staff with needed training to perform effectively.</p> <p><u>Target:</u> 100% of new staff receive standardized training within first six months. <u>Measure:</u> Percentage of new staff that receive standardized training within first six months.</p> <p>(2) Maximize use of staff across unit lines throughout the cycle.</p> <p><u>Target:</u> 100% of staff are cross-trained to work in at least one other unit. <u>Measure:</u> Percentage of staff trained to work in at least one other unit.</p> <p>(3) Increase use by the public of online filing and applicant support services.</p> <p><u>Target:</u> 95% of applicants use on-line filing. <u>Measure:</u> Number of applicants that use on-line filing.</p> <p>(4) Reduce manual linking of supplemental documents.</p> <p><u>Target:</u> 80% of supplemental documents are electronically linked. <u>Measure:</u> Percentage of documents that are electronically linked.</p> <p>(5) Reduce computer processing costs.</p> <p><u>Target:</u> Reduce total computer processing costs by 50%. <u>Measure:</u> Percentage of reduction in processing costs.</p> <p>(6) Outsource some functions.</p> <p><u>Target:</u> Reduce printing and mailing costs by 50%. <u>Measure:</u> Percentage reduction in printing and mailing</p>

End Results	Strategies to Achieve Results
	<p>costs.</p> <p>(7) Increase efforts to identify fraudulently filed applications.</p> <p><u>Target:</u> Audit 100% applications with out-of-state postmarks, web applications with certain attributes, and those who decline jury duty.</p> <p><u>Measure:</u> Percentage of applications audited.</p> <p><u>Target:</u> Investigate all fraud tips received by September 1 prior to payment of current dividend.</p> <p><u>Measure:</u> Percentage of fraud tips received by September 1 that are investigated prior to payment of current dividend.</p>

Major Activities to Advance Strategies	
<ul style="list-style-type: none"> • Prepare incoming mail for imaging • Image applications and supplemental information • Enter information into DAIS • Request additional information when needed • Manually edit selected applications • Review selected applications • Respond to appeals • Maintain essential computer support systems • Standardize Information Office training • Provide training to new staff • Develop equipment plan • Cross train staff to work in more than one functional area • Allocate staff across unit lines to address peak workload • Market on-line and myAlaska filing through media • Expand myAlaska to all applicants • Expand functionality of on-line applicant status lookup 	<ul style="list-style-type: none"> • Implement Optical Character Recognition and/or bar coding • Complete OTG assessment analysis; prepare 2005 CIP request for system upgrade • Move mainframe applications to distributed servers • Explore consolidation of imaging work with other agencies • Pilot USPS print and mail service • Evaluate other functions for outsourcing • Analyze IRS database useful information • Acquire IRS database for 2005 • Acquire access to federal data bases • Obtain access to NCIS and NLETS databases • Pursue specific statutory subpoena power • Prosecute identified fraud under civil or criminal provisions of law • Negotiate RSA with Dept. of Law increasing support to PFD; request 2005 operating budget increment • Pursue legislation authorizing civil fines • Develop good website information on fraud investigation activity • Publicize prosecuted criminal activity

FY2005 Resources Allocated to Achieve Results							
<p>FY2005 Component Budget: \$5,589,700</p>	<p>Personnel:</p> <table> <tr> <td>Full time</td> <td>62</td> </tr> <tr> <td>Part time</td> <td>19</td> </tr> <tr> <td>Total</td> <td>81</td> </tr> </table>	Full time	62	Part time	19	Total	81
Full time	62						
Part time	19						
Total	81						

Performance Measure Detail

(1) Result: All eligible Alaskans, whose applications are not on appeal, receive their Permanent Fund Dividend in October.

Target: 100% of eligible applicants not in appeal are paid in October.

Measure: Percentage of eligible applicants not in appeal who are paid in October.

Percentage of Eligible Applicants Paid in October

Year	%				YTD Total
2002	93.6%				
2003	93.7%				
2004	95.0%				
2005	Target: 98.0%				

Analysis of results and challenges: Increase in on-line filing, increase use of automation in processing, and cross-utilization of staff should begin to improve performance in 2004. We anticipate reaching the goal in 2006.

(2) Result: Processing cost per application is reduced.

Target: Reduce overall processing cost per application by 25%.

Measure: Percentage reduction in cost per application.

Percentage Reduction in Cost per Application (from \$0.11 baseline cost in FY2003)

Year	% Reduction				YTD Total
2004	10%				
2005	15%				

Analysis of results and challenges: Anticipated reductions in 2004 and 2005 will come from growth in use of on-line filing, efficiencies achieved as a result of the anticipated CIP funded imaging upgrade, electronic linking, and reduced computer chargeback costs.

(3) Result: Applicants who fraudulently file dividend applications are identified and prosecuted.

Target: Increase identification and prosecution of fraud by 100%.

Measure: Number of cases identified and prosecuted.

Number of Fraud Cases Identified and Prosecuted

Year	# of Cases				YTD Total
2004	350				350
2005	700				700

Analysis of results and challenges: The ultimate, but unrealistic, goal is to eliminate all fraud in the program. However, we have no idea how much fraud currently exists in the program. Further, it would probably not be in the state's interest to commit the resources necessary to eliminate all fraud if, in fact, it could be done. Therefore, targets are aimed at minimizing fraud and protecting the program to the extent practical.

(1) Strategy: Provide staff with needed training to perform effectively.

Target: 100% of new staff receive standardized training within first six months.

Measure: Percentage of new staff that receive standardized training within first six months.

Percent of Staff Receiving Standardized Training Within First Six Months

Year	% of Staff				YTD Total
2004	50%				0
2005	100%				0

Analysis of results and challenges: Standardized training is being developed December-January 2004 for immediate implementation. This training should minimize inaccurate or incomplete information being given to the public at the three division information offices.

(2) Strategy: Maximize use of staff across unit lines throughout the cycle.

Target: 100% of staff are cross-trained to work in at least one other unit.

Measure: Percentage of staff trained to work in at least one other unit.

Percent of Staff Trained to Work in Other Units

Year	% of Staff				YTD Total
2004	75%				0
2005	100%				0

Analysis of results and challenges: We are on an annual cycle with over 620,000 applications coming in between January 1 and March 31. Staff need to be flexible to move with the workload through the processing cycle to be most cost effective.

(3) Strategy: Increase use by the public of online filing and applicant support services.

Target: 95% of applicants use on-line filing.

Measure: Number of applicants that use on-line filing.

Number of Applicants Using On-line Filing

Year	%-Applicants				YTD Total
2002	14.0%				0
2003	24.8%				0
2004	40.0%				0
2005	50.0%				0

Analysis of results and challenges: We will be "marketing" on-line filing in the 2004 application booklet and through the media during the filing period. We are projecting a good response in 2004 with 40% of applications filed on-line.

(4) Strategy: Reduce manual linking of supplemental documents.

Target: 80% of supplemental documents are electronically linked.

Measure: Percentage of documents that are electronically linked.

Analysis of results and challenges: This project cannot be started until the image upgrade is completed and staff is fully trained on the upgrade. Our goal will be to implement electronic linking as early in calendar year 2005 as possible.

(5) Strategy: Reduce computer processing costs.

Target: Reduce total computer processing costs by 50%.

Measure: Percentage of reduction in processing costs.

Percentage Reduction in Processing Costs (from \$340.0 in FY2003)

Year	% Reduction				YTD Total
2004	15%				0
2005	35%				0

Analysis of results and challenges: Cost savings will result from development of more efficient programs and moving mainframe applications to distributed servers.

(6) Strategy: Outsource some functions.

Target: Reduce printing and mailing costs by 50%.

Measure: Percentage reduction in printing and mailing costs.

Percentage Reduction in Printing and Mailing Costs (from \$318.0 in FY2003)

Year	% Reduction				YTD Total
2004	30%				0
2005	50%				0

Analysis of results and challenges: Anticipated costs savings will come from one or more of the following: outsourcing some print and mail services with USPS, eliminating mail-outs, and converting to lower cost mail-outs.

(7) Strategy: Increase efforts to identify fraudulently filed applications.

Target: Audit 100% applications with out-of-state postmarks, web applications with certain attributes, and those who decline jury duty.

Measure: Percentage of applications audited.

Percentage of Applications Audited

Year	%-Applicatns				YTD Total
2004	100%				0
2005	100%				0

Analysis of results and challenges: During FY2004, an internal audit procedure is being developed and implemented. If we are successful in getting access to the IRS database, other areas such as receipt of out-of-state unemployment benefits will also be audited.

Target: Investigate all fraud tips received by September 1 prior to payment of current dividend.

Measure: Percentage of fraud tips received by September 1 that are investigated prior to payment of current dividend.

Percentage of Fraud Tips Investigated Prior to Payment of Current Dividend

Year	%-Investigtd				YTD Total
2004	95%				0
2005	100%				0

Analysis of results and challenges: Inputting and reviewing these tips prior to September 1 will assure that persons who are easily exonerated receive their dividends timely, and that payment is held on all applications requiring more thorough review.

Key Component Challenges

Communication with the public - PFD eligibility statutes and regulations are often difficult for the public to apply to their particular circumstance. The division continues to seek better ways to explain the rules in our Application Booklet in special brochures for students and the military, and through our three public information offices.

Maintaining a low cost-per-application program overhead – Electronic resources are key to a low processing cost per

application in the PFD program. Imaging of applications and supporting documents substantially increases staff efficiency and eliminates the need for expensive paper file storage. Our imaging system will simultaneously reach capacity for storage of images and the end of its warranty and vendor support by the end of calendar year 2004. We have also been advised that our system disaster recovery capability is entirely inadequate. An upgrade to current hardware and software is also required before we can proceed with implementation of Optical Character Recognition (OCR) and/or bar-coding to more efficiently file, link, and retrieve the two million documents we receive each year. FY 2005 CIP funds have been requested to purchase the necessary new hardware and software.

Minimizing PFD fraud - A program with annual payouts of \$500 million to \$1 billion is bound to attract individuals who would fraudulently apply. PFD is rebuilding its fraud investigation unit. The division now has one fraud investigator who investigates tips from the public and other agencies and internal audit findings. He has rebuilt working relationships with other law enforcement agencies in the state, and connected with various information resources necessary to investigations. Since April 2003, he has been successful in denying over \$284.0 in payments of the 2003 dividend and in assessing more than \$233.0 in payments previously paid to ineligible applicants. The total amount of fraud existing in the program is unknown, however it appears that a modest increase in staffing for this function would recover its cost several times over, and help to deter fraud in the future.

Significant Changes in Results to be Delivered in FY2005

No significant changes relative to this budget are planned. To the extent that we receive an increase in the number of applications filed via myAlaska with electronic signature, some staff resources will be reallocated to the task of reviewing problem applications. The benefit to the public is that more eligible Alaskans will be paid on the scheduled payment dates in October.

Major Component Accomplishments in 2003

On-line filing of applications continued to grow this year from 80,518 in 2002 to 155,226 in 2003. myAlaska on-line filing was implemented late in the application period and 2,156 applicants filed using electronic signature.

Direct deposit of dividends also continued to grow with a total of 444,286 dividends directly deposited.

The Review Unit eliminated a long standing backlog to start the 2003 cycle.

The PFD Fraud Investigations Unit was re-established in Juneau and in six months of operation stopped over \$284.0 in payments to 2003 dividend applicants who fraudulently applied and assessed over \$233.0 in payments made in prior years to ineligible applicants.

The three PFD Information Offices responded to questions from the public in almost 108,000 phone calls, over 60,000 office visits, and over 31,000 emails.

Statutory and Regulatory Authority

AS 43.23
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Contact Information

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**Permanent Fund Dividend
Component Financial Summary**

All dollars shown in thousands

	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	3,035.3	3,258.2	3,528.9
72000 Travel	26.4	25.5	25.5
73000 Contractual	2,003.5	2,131.2	1,971.1
74000 Supplies	110.7	64.2	64.2
75000 Equipment	95.7	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	5,271.6	5,479.1	5,589.7
Funding Sources:			
1007 Inter-Agency Receipts	36.0	35.0	35.0
1050 Permanent Fund Dividend Fund	5,235.6	5,444.1	5,554.7
Funding Totals	5,271.6	5,479.1	5,589.7

Estimated Revenue Collections

Description	Master Revenue Account	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
Unrestricted Revenues				
General Fund Program Receipts	51060	222.9	0.0	0.0
Unrestricted Fund	68515	46.9	0.0	0.0
Unrestricted Total		269.8	0.0	0.0
Restricted Revenues				
Interagency Receipts	51015	36.0	35.0	35.0
Restricted Total		36.0	35.0	35.0
Total Estimated Revenues		305.8	35.0	35.0

**Summary of Component Budget Changes
From FY2004 Authorized to FY2005 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2004 Authorized	0.0	0.0	5,479.1	5,479.1
Adjustments which will continue current level of service:				
-Reduce Fiscal Note Funding for SB 148, Allowable Absence for Military Service	0.0	0.0	-30.0	-30.0
-Changes to Retirement and Other Personal Services Rates	0.0	0.0	140.6	140.6
FY2005 Governor	0.0	0.0	5,589.7	5,589.7

**Permanent Fund Dividend
Personal Services Information**

Authorized Positions		Personal Services Costs		
	FY2004 Authorized	FY2005 Governor		
Full-time	59	62	Annual Salaries	2,540,192
Part-time	4	19	Premium Pay	49,604
Nonpermanent	30	0	Annual Benefits	1,190,726
			<i>Less 6.66% Vacancy Factor</i>	(251,621)
			Lump Sum Premium Pay	0
Totals	93	81	Total Personal Services	3,528,901

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Tech I	0	0	2	0	2
Administrative Clerk II	0	0	16	0	16
Administrative Clerk III	7	1	19	0	27
Administrative Manager I	0	0	1	0	1
Analyst/Programmer II	0	0	3	0	3
Analyst/Programmer IV	0	0	2	0	2
Analyst/Programmer V	0	0	1	0	1
Chf Perm Fund Div Oper	0	0	1	0	1
Data Processing Mgr II	0	0	1	0	1
Division Director	0	0	1	0	1
Investigator II	0	0	1	0	1
Investigator III	0	0	1	0	1
Microfilm Equip Op II	0	0	1	0	1
PFD Specialist I	0	0	1	0	1
PFD Specialist II	0	0	2	0	2
PFD Technician I	1	0	8	0	9
PFD Technician II	0	1	6	0	7
PFD Unit Supervisor	1	0	3	0	4
Totals	9	2	70	0	81