

**State of Alaska  
FY2004 Governor's Operating Budget**

**Department of Revenue  
Permanent Fund Dividend  
BRU/Component Budget Summary**

## **BRU/Component: Permanent Fund Dividend**

**(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)**

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## **Component Mission**

The mission of the Permanent Fund Dividend Division is to administer the permanent fund dividend program.

## **Component Services Provided**

- Process over 600,000 applications resulting in payment of dividends to eligible Alaska residents.
- Publish an application booklet that includes detailed instructions for completing the dividend application; internet services include the status inquiry system, online application filing, additional dividend and other forms with complete instructions.
- Assist applicants with questions regarding their applications, the direct-deposit program, garnishments and other PFD-related issues at the dividend information offices.
- Conduct informal conferences with applicants who file an appeal.

## **Component Goals and Strategies**

The Permanent Fund Dividend Division in 2003 will increase to 78% the number of Alaskans who select direct deposit for their check.

- Advertise the benefits of direct deposit

## **Key Component Issues for FY2003 – 2004**

- Computer programs, like the garnishment system for example, that are based on the existing mainframe computer system are becoming unreliable and are beginning to fail when processing time is at its most critical point. The solution is to rewrite the programs into a relational database whereby the data will become more reliable and more efficient to maintain. This will be a slow process which involves migrating off of the mainframe computer system into a LAN system that will have the capacity to store the relational database elements.
- The telephone system currently used in the three dividend information offices needs to be upgraded to reflect the public's needs to get timely information about their dividend applications. We noticed a slight decrease in the number of calls received when we instituted the online status inquiry system. However, not everyone has access to a computer or subscribes to the internet. A communication system such as an interactive voice response system can allow the caller to choose from various menu options to help themselves in answering their most basic questions and also allow them to order forms. This system will continue to reduce calls and free up staff to answer more complex questions.

## **Major Component Accomplishments in 2002**

- As a result of the combination of redirecting the workflow and upgrading personnel, the number of applications assigned to the Review unit was reduced by 20%. As a result of distributing the work to more staff, the ending inventory in the Review unit right after payment of the 2002 dividend was 6,587 as compared to 11,211 remaining after the payment of the 2001 dividend, a 41% decrease in ending volume.

- After creating a user friendly internet application process, 80,000 people filed for the 2000 dividend using our online filing system, as opposed to 48,994 filing for the 2001 dividend, an overall increase of 38.7%.

### **Statutory and Regulatory Authority**

AS 43.23  
15 AAC 23

### **Key Performance Measures for FY2004**

**Measure:**

**The percentage of dividend payments sent out on time to eligible applicants.**

Sec 138 (b) (1) Ch 124 SLA 2002(HB 515)

**Alaska's Target & Progress:**

- In 2002, 98% of applicants (579,020) were paid in the October dividend distribution period.

**Benchmark Comparisons:**

- Fiscal Year 2001 was 95%.
- Fiscal Year 2000 was 93%.
- Fiscal Year 1999 was 91%.
- Fiscal Year 1998 was 94%.

**Background and Strategies:**

- We want to maintain this 98% payment rate and increase it if possible given the fact that there will always be some applications in review at the time of the dividend payment.

**Measure:**

**The average time taken to process dividend applications.**

Sec 138 (b) (2) Ch 124 SLA 2002(HB 515)

**Alaska's Target & Progress:**

- The normal processing year begins with the application period in January until we get every application on the mainframe system. The ideal time is five months, to ensure adequate time for review before the distribution period in October. In 2002 we had all applications on the system by the last week of May. In 2001 we were faster and had all applications on the system by mid-May.

**Background and Strategies:**

- The delay in processing applications 2002 was solely due to the decrease in the number of temporaries that were hired and remained on the job throughout the entire processing period of 120 days. As more people file electronic applications, and the Optical Character Recognition system is up and running, the application process will not be dependent upon manual keying.

**Measure:**

**The average time taken to resolve informal appeals.**

Sec 138 (b) (3) Ch 124 SLA 2002(HB 515)

**Alaska's Target & Progress:**

- The statutory time limit to complete an appeal from the time it is filed with the division is one year. The division is striving to further reduce the aging of appeal inventory to a period not to exceed six months. In calendar year 2002, our case inventory exceeded six months 42% of the time vs. 58% of the time in calendar year 2001.

**Background and Strategies:**

- Vacancies and an increase in the number of appeals received resulted in an increase in the number of appeals

older than six months in inventory. We have hired temporary help to alleviate the backlog in inventories.

**Measure:**

**The average number of applications in review at the time of the dividend calculation.**

Sec 138 (b) (4) Ch 124 SLA 2002(HB 515)

**Alaska's Target & Progress:**

- We re-evaluated the criteria used to determine whether or not an application warranted further review and redistributed the workload to more people. At the time of the 2002 dividend calculation there were 7,671 people in review status versus 12,595 at the time of the 2001 dividend calculation, a decrease of 39%.

**Background and Strategies:**

- We will continue to work towards completing reviews as quickly as possible.

**Measure:**

**The number of application denials upheld on appeal.**

Sec 138 (b) (5) Ch 124 SLA 2002(HB 515)

**Alaska's Target & Progress:**

- In 2002, 3,707 denials were upheld out of 5,376 cases closed, the percentage of denials upheld was 68.9%.

• 5,376 cases closed	1,268 overturned	= 23.6%
	3,707 upheld	= 68.9%
	401 remands	= 7.5%

**Background and Strategies:**

- Denials are overturned for several reasons. The highest number of denials that are overturned are the result of an error made either on the part of the applicant or within the division when the application was processed. Because of the need to correct any errors, the uphold rate will never be 100%.

**Measure:**

**The cost to administer the program compared to the number of applications processed.**

Sec 138 (b) (6) Ch 124 SLA 2002(HB 515)

**Alaska's Target & Progress:**

- In 2002 the cost per application processed was \$8.87.

**Benchmark Comparisons:**

- Fiscal Year 2001 was \$8.04.
- Fiscal Year 2000 was \$8.08.
- Fiscal Year 1999 was \$8.35.
- Fiscal Year 1998 was \$8.02.

**Background and Strategies:**

- The cost to administer the program one year to the next has been relatively constant with a slight increase in 2002 over 2001. The increase is due to the rise in the cost of postage and paper compared to the previous year.

**Permanent Fund Dividend**  
**Component Financial Summary**

*All dollars in thousands*

	<b>FY2002 Actuals</b>	<b>FY2003 Authorized</b>	<b>FY2004 Governor</b>
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	3,085.3	3,143.8	3,209.7
72000 Travel	26.2	25.5	25.5
73000 Contractual	2,060.3	2,043.2	2,101.2
74000 Supplies	41.1	64.2	64.2
75000 Equipment	11.2	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
<b>Expenditure Totals</b>	<b>5,224.1</b>	<b>5,276.7</b>	<b>5,400.6</b>
<b>Funding Sources:</b>			
1007 Inter-Agency Receipts	35.0	32.0	35.0
1050 Permanent Fund Dividend Fund	5,189.1	5,244.7	5,365.6
<b>Funding Totals</b>	<b>5,224.1</b>	<b>5,276.7</b>	<b>5,400.6</b>

**Permanent Fund Dividend**

**Proposed Changes in Levels of Service for FY2004**

The Permanent Fund Dividend Division requests two operating budget increments for FY04.

- \$75,000 for increased mainframe and network costs to accommodate a new garnishment program and the soon-to-be-implemented MyAlaska portal for online applications with e-signatures. The Division anticipates mainframe costs of \$425,000 in FY03, increasing to \$500,000 in FY04 (higher ITG rates also are a factor in this increment).

**Summary of Component Budget Changes**

**From FY2003 Authorized to FY2004 Governor**

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2003 Authorized</b>	<b>0.0</b>	<b>0.0</b>	<b>5,276.7</b>	<b>5,276.7</b>
<b>Adjustments which will continue current level of service:</b>				
-Annualize FY2003 COLA Increase for General Government and Supervisory Bargaining Units	0.0	0.0	45.1	45.1
-\$75 per Month Health Insurance Increase for Non-covered Staff	0.0	0.0	0.8	0.8
<b>Proposed budget increases:</b>				
-Increase Intra-Agency funding (unbudgeted portion) for dividend application booklet	0.0	0.0	3.0	3.0
-Increase for mainframe and network costs	0.0	0.0	75.0	75.0
<b>FY2004 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>5,400.6</b>	<b>5,400.6</b>

**Permanent Fund Dividend**  
**Personal Services Information**

	Authorized Positions		Personal Services Costs	
	<u>FY2003</u> <u>Authorized</u>	<u>FY2004</u> <u>Governor</u>		
Full-time	60	59	Annual Salaries	2,496,949
Part-time	3	4	Premium Pay	48,934
Nonpermanent	30	30	Annual Benefits	892,359
			<i>Less 6.65% Vacancy Factor</i>	(228,542)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>93</b>	<b>93</b>	<b>Total Personal Services</b>	<b>3,209,700</b>

**Position Classification Summary**

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Tech I	0	0	2	0	2
Administrative Clerk II	1	0	29	0	30
Administrative Clerk III	6	1	17	0	24
Administrative Manager I	0	0	1	0	1
Analyst/Programmer II	0	0	1	0	1
Analyst/Programmer III	0	0	1	0	1
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	1	0	0	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	1	10	0	12
PFD Technician II	0	0	6	0	6
PFD Unit Supervisor	1	0	3	0	4
Secretary	0	0	1	0	1
<b>Totals</b>	<b>10</b>	<b>2</b>	<b>81</b>	<b>0</b>	<b>93</b>