

Fiscal Note

State of Alaska
2017 Legislative Session

Bill Version: SB 2
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB002-DOR-PFD-1-20-17
Title: 2016 PFD SUPPLEMENTAL PAYMENT
Sponsor: DUNLEAVY
Requester: (S) State Affairs Committee

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Permanent Fund Dividend Division
OMB Component Number: 981

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2018	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2018 Request	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
OPERATING EXPENDITURES	FY 2018	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2017) cost: 656,903.3 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2018) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Not applicable; initial version.

Prepared By:	Sara Race, Director	Phone:	(907)465-4785
Division:	Permanent Fund Dividend	Date:	01/20/2017 01:00 PM
Approved By:	Jerry Burnett, Deputy Commissioner	Date:	01/20/17
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

BILL NO. SB 2

Analysis

The proposed legislation requires a supplemental payment to be made to all individuals that were deemed eligible and paid a 2016 dividend. Implementing this supplemental payment is unique and will require system programming to allow for an additional payment to be made to all eligible 2016 dividend recipients. The request of a supplemental appropriation, in the amount of \$656,903,336, is being requested as it is implied that payments will be made in this fiscal year.

In order to properly implement and execute a second mass payment, similar tasks to our original mass payment will need to be followed. These steps include an initial planning session with the multiple other State agencies that are involved in our payment, which includes Finance, the Print Room, the Mail Room, DOR Fiscal, and DOR Cash Management. Outside of the state, we will need to work with US Bank, as well as Key Bank to ensure proper funding distribution occurs. In order to ensure that, we will need to pre-note all direct deposit accounts. Due to the amount of time that has passed from the initial mass payment in October of 2016, we feel it would be extremely important for us to pre-note all accounts to be sure we aren't ending up with a large amount of rejects from the banks. For the 2016 PFD, we had roughly 86,000 individuals choose to be paid by paper warrant (check). We would need to ensure that enough warrant stock exists to cover that number. Mailing addresses for individuals also change often, which would have negative implications on our Division as we receive the returned warrants through the USPS system. Our initial thought would be to advertise this upcoming payment with the hope that individuals who received the 2016 PFD via paper warrant would contact us if their mailing addresses changed. This would also be a significant cost in postage for us to mail out these warrants. We will be required to send out 1099s, which will also have paper and postage needs.

This will directly affect the process that we are making on the current 2017 season as we anticipate this to drive a significant amount of public contact. Our hope is to have effective messaging in a variety of venues, however, based off of the public response at the announcement of the 2016 PFD, we believe this will affect our division greatly.

Total supplemental appropriation:

Dividends	656,625,000
Bank costs	11,000
Postage	209,965
Warrant Stock	9,371
<u>Contractor</u>	<u>48,000</u>
Total	656,903,336

Detail:

- Amount needed to pay dividends (637,500 x 1030 = **\$656,625,000**)
- Pre-note **\$4,000**
- Other bank charges including returns **\$7,000**
- Postage for warrants (warrant count 82,933 x postage .44 = **\$36,491**)
- Warrant stock (warrant count 82,933 x stock .113 = **\$9,371**)
- Mailed paper 1099s, letters (paper 1099s requested 394,260 x .44 = **\$173,474**)
- Programming hours* (300 x 160= **\$48,000**)

*On the low end, we expect this change will take a least three hundred hours of programming time. Depending on how and when payment is to be distributed, as it is imperative that the 2017 dividend is distributed timely, contracting time will more than likely be necessary.