

Fiscal Note

State of Alaska
2023 Legislative Session

Bill Version: HB 110
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB110-DOR-APFC-03-24-23
Title: PERM FUND; XFER DIVIDEND PROG TO APFC
Sponsor: CARPENTER
Requester: (H) W&M

Department: Department of Revenue
Appropriation: Alaska Permanent Fund Corporation
Allocation: APFC Operations
OMB Component Number: 109

Expenditures/Revenues

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

	FY2024	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2024 Request	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
OPERATING EXPENDITURES	FY 2024	FY 2024					
Personal Services	***		***	***	***	***	***
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	***	0.0	***	***	***	***	***

Fund Source (Operating Only)

None							
Total	***	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 (FY2023) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2024) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - 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? **Yes**
If yes, by what date are the regulations to be adopted, amended or repealed? **07/01/24**

Why this fiscal note differs from previous version/comments:

Initial fiscal note for HB 110.

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Division:	Alaska Permanent Fund Corporation	Date:	03/24/2023
Approved By:	Deven Mitchell, Executive Director and Chief Executive Officer	Date:	03/24/23
Agency:	Alaska Permanent Fund Corporation		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2023 LEGISLATIVE SESSION

BILL NO. HB 110

Analysis

HB 110 seeks to make several changes to the state's permanent fund dividend program (PFD program). Among these is transfer of the management of the PFD program from the Commissioner of the Department of Revenue to the Executive Director of the Alaska Permanent Fund Corporation. This fiscal note pertains only to this element of HB 110.

An important dynamic to understand is that the Department of Revenue is an integral part of the administrative enterprise of the State of Alaska. The Alaska Permanent Fund Corporation (APFC) is a quasi-public corporation that is almost entirely segregated from the State's administrative enterprise.

As a division in the Department of Revenue, the Permanent Fund Dividend Division (PFDD) is reliant on certain services provided by multiple state agencies, including the Department of Revenue, Office of Information Technology, Division of Finance, Division of Shared Services, and the Criminal Investigations Unit. Removing PFDD from the State's administrative enterprise would require APFC to replicate the administrative infrastructure on which the PFD Division currently relies.

While this is not an impossible transition project, it is a project that would require substantial resources, planning and care in project execution. APFC would need to create and provide IT, cybersecurity, accounting, and administrative support and infrastructure to PFDD. Since PFDD maintains the confidential personal and banking information of most Alaskans, the highest degree of care must be taken during the transition to ensure the information remains secure and its integrity maintained.

At this time, APFC's assessment of the costs of this project are necessarily rough estimates, and therefore this fiscal note is indeterminate. To achieve any degree of accuracy in budgeting for the costs of such a project, APFC would likely need to procure a project manager experienced in major data and system transition and implementation. APFC estimates the cost of a project manager to scope this project and prepare a project plan would be approximately \$100,000-\$250,000.

The following is a summary of projected costs that APFC can currently envision that would be in addition to the current budget of PFDD.

IT Costs

Replace Office of Information Technology Functions. PFDD currently budgets \$200.0 Inter-Agency for OIT support services. APFC estimates incremental costs of \$409.0 to add four new positions to cover all core IT services (user administration, helpdesk, cloud server administration etc.):

\$217.0 Personal Services. Two helpdesk positions (IT Specialist) needed to match a doubled workforce.

\$392.0 Personal Services. Two infrastructure positions (IT Specialist) needed to match a doubled workforce and manage the new workload in Azure and cloud administration.

Licensing for SQL servers, Windows workload servers, M365 cloud Software as a Service licensing, Azure services and Data Storage. PFDD currently budgets \$111.7 Inter-Agency to OIT for licenses and IT infrastructure. APFC estimates incremental costs of \$109.0 Services.

Network. PFDD currently pays \$15.0 for network access. APFC anticipates a doubling of its current network cost from \$12.0 to \$24.0. This would represent a savings of \$3.0.

Horizon Virtual Desktop Interface licensing. APFC anticipates a doubling of its current costs. This would be an incremental cost of \$90.0 Services.

FISCAL NOTE ANALYSIS

Analysis

PFDD Workstations. APFC would add PFDD to its three-year refresh cycle. APFC estimates an incremental cost of \$300.0 Commodities.

PFDD Applications Security. PFDD has a number of applications: Dividend Application Information System (DAIS), Revenue Permanent Fund Information System (RPFI), and the ILINX imaging system. APFC would need to evaluate each application for security as well as determination whether to locate the application in the Microsoft Azure Cloud. APFC does not have a cost estimate at this time for this item.

PFDD Application Portal. PFDD currently relies on the OIT myAlaska portal to manage online applications and identity verification. APFC would need to replicate a secure and resilient portal to replace myAlaska. APFC does not have a cost estimate at this time for this item.

PFDD Applications Upgrade. APFC anticipates a need for a rebuild of PFDD applications into a contiguous and agile ecosystem. A goal here is increased security, increased automation, improved PFD application processing time, and enhanced flexibility on PFD distribution. APFC does not have a cost estimate at this time for this item.

Finance and Investment Costs

Modifications to Accounting System. Consulting time will be required to export and import data files. APFC estimates one-time incremental costs of \$20.0 Services.

Align Accounting Positions for Management of the PFD Fund. Investment management of the PFD Fund would have to be done under a different asset allocation with separate reporting and tracking of expenses. The PFDD accounting positions would need to be aligned with the APFC accounting positions. APFC estimates an incremental cost of \$50.0 Personal Services.

Financial Audit. APFC would assume the responsibility to obtain an independent audit of PFDD and the PFD Fund. APFC estimates incremental costs of \$75.0 Services.

Other Costs

Office Rent. APFC does not anticipate any changes to PFDD’s Anchorage and Fairbanks office space. To the extent that removal of PFDD from the State’s administrative enterprise requires relocation of PFDD out of the State Office Building, there may be incremental costs for rent, moving and office build-out. APFC does not have a cost estimate at this time for these items.