

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: 18  
 Bill Version: CSHJR 31(STA  
 (H) Publish Date: 3/29/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title Const AM: Permanent Fund RDU Revenue Programs and Services  
 Component Commissioner's Office  
 Sponsor Representative Holm  
 Requester House State Affairs Component No. 123

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services		391.6	366.6	183.3	25.0	25.0
Travel						
Contractual		186.8	180.3	90.2	2.5	2.5
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>578.4</b>	<b>546.9</b>	<b>273.5</b>	<b>27.5</b>	<b>27.5</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1050 Permanent Fund Dividend Fund		578.4	546.9	273.5	27.5	27.5
<b>TOTAL</b>	<b>0.0</b>	<b>578.4</b>	<b>546.9</b>	<b>273.5</b>	<b>27.5</b>	<b>27.5</b>

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time		5	4	2		
Part-time			1	1	1	1
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

CS HJR 31 proposes a constitutional amendment that would authorize one final dividend payment of \$20,000 to eligible recipients of the 2004 dividend. The Permanent Fund Dividend (PFD) Division would be phased out over the course of FY2005 as processing of the final dividend is completed (see PFD Division fiscal note). However, several functions will need to be staffed for a period of time beyond FY2005: formal appeals and court appeals of denied decisions, collections of dividends fraudulently received or paid in error, 18 year-old-filers, and fraud investigation.

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 Division Commissioner's Office Date/Time 3/18/04 4:52 PM  
 Approved by: Steve B. Porter, Deputy Commissioner Date 3/18/2004  
 Agency Commissioner's Office

**ANALYSIS CONTINUATION**

Formal Appeals:

Formal appeals would increase resulting in a need for an additional Hearing Officer and support staff in the Department of Revenue, Commissioner's Office, Hearing Officer section. For at least two years after this legislation is enacted, the total number of appeals to formal hearing would increase significantly, appellants would be represented by attorneys in more cases, and many more formal hearing decisions would be appealed to the Superior Court. With so much at stake, more applicants will appeal the denial of this payout, and they will be willing to invest more in legal representation. A family of four, for example, could have \$80,000 at state in an eligibility decision.

This legislation would require the Department of Revenue to hire one Range 22 Revenue Hearing Examiner I, and two more Range 11 Legal Office Assistant I employees, at a per position cost of \$84.4 and \$46.3, respectively. The additional (\$84.4 + \$46.3 + \$46.3) \$177.0 would be needed for two and a half years. The costs for existing staff who handle PFD hearings are budgeted in the Commissioner's Office and funded by the division through Interagency Receipts. These costs of \$104.6 will need to be included in the Commissioner's Office. In FY2008, the Department estimates that these costs can be reduced for half of the year.

Contractual costs for a full time Department of Law attorney to work on cases that progress to court are estimated at \$161.8 in FY2006 and \$155.3 in the latter yearsthrough 2008 because of the one-time set-up costs of adding a new attorney.

Fraud Investigations:

The Permanent Fund Dividend Division estimates an increase in fraudulently filed applications due to the value of the final payment and recommends keeping a fraud investigator on staff through FY2006 to follow through on outstanding cases at an estimated cost of \$60.0.

18 year-old-filers:

Upon reaching majority or having been emancipated, an individual can file for any prior dividends not received because an application was never filed by an eligible sponsor. The state's obligation to process these filings will extend to 2023. We can expect approximately 50 to 100 filers each year.

One full time equivalent (FTE) in FY2006 and .5 FTE thereafter will be able to cover both the 18 year-old-filers processing and collections and accounting activity. This employee would process between 475 and 500 repayment cases per year. This staff would also cover miscellaneous duties such as reissuing cancelled checks and accounting work associated with check runs at a cost of \$50.0 per FTE and \$25.0 per part time FTE.

The support costs for each position are estimated at \$5.0 per employee.

Summary

FY2006

- 1 Hearing Examiner I (Position eliminated in FY2008)
- 2 Legal Office Assistants (Positions eliminated in FY2008)
- 1 Investigator II (Position eliminated in FY2008)
- 1 Administrative Clerk III (Part time in FY2007 and thereafter)