

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version:	CSSB 154(FIN)
Fiscal Note Number:	3
(S) Publish Date:	3/28/2018

Identifier: CSSB154-DOR-PFD-3-23-2018
 Title: PFD CONTRIBUTIONS TO GENERAL FUND
 Sponsor: WILSON
 Requester: Senate Finance

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)

	FY2019	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2019 Request	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES	FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Personal Services	13.3		9.6	9.6	9.6	9.6	9.6
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	13.3	0.0	9.6	9.6	9.6	9.6	9.6

Fund Source (Operating Only)

1004 Gen Fund (UGF)	20.3		9.6	9.6	9.6	9.6	9.6
1050 PFD Fund (Other)	(7.0)						
Total	13.3	0.0	9.6	9.6	9.6	9.6	9.6

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

Estimated CAPITAL (FY2019) 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 If yes, by what date are the regulations to be adopted, amended or repealed?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/comments:

Updated to reflect revenue generated as a result of contributions being made to the General Fund, and to appropriately account for personal services costs. The fund source was changed to GF/PR because funds spent on the program must be specifically directed to be used for costs incurred, and currently no dividend funds are used to operate the program. Additionally, the analysis was updated to reflect the changes outlined in the CS.

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Division:	Permanent Fund Dividend	Date:	03/23/2018
Approved By:	Mike Barnhill	Date:	03/23/18
Agency:	Department of Revenue		

REPORTED OUT OF
SFC 03/28/2018

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

Analysis

The legislation creates a separate contribution option on the electronic permanent fund dividend application. Similar to the Pick.Click.Give. (PCG) program, this new option will allow individuals to donate their dividend in \$25.00 increments to the State of Alaska's General Fund.

There will be no fee associated with participating in the program, but seven percent of the money contributed to the fund will be used for administrative costs incurred by implementing the new program, ensuring that no money is used from the dividend fund. AS 43.23.062(e) states that "the department may not use money from the dividend fund for administrative costs incurred in implementing this section, even if it has been appropriated for costs of administering the dividend program."

Programming will be required on the PFD application as a new section will be created within the voluntary option portion of the application. This will be the third option along with the UA College Savings program and PCG. In addition to application programming, modifications will be necessary in the division's database (DAIS) to update the deduction priority order, or the order that the voluntary options are paid. All other existing contributions will take a higher priority. Both the General Fund and the seven percent breakdown will need to be added to the division's monthly payment reports that generate from DAIS, and financial transactions will increase. The division will be the primary contact for all questions and concerns related to the new option.

In the first year, associated programming time will include 10% of one programmer position (Analyst Programmer V), which is equivalent to \$13,300, and 5% of the PFD Operational Manager's position, which is equivalent to \$7,000. The PFD Operational Manager's costs will be removed from the Dividend Fund and replaced with General Funds as the position is already budgeted. Whereas, all costs associated with programming will be requested from the General Fund.

In the following years we expect programming time to be limited to roughly 2% of one position, or \$3,000, and personal service costs to remain the same for the PFD Operations Manager. The seven percent collected from donations will be applied to the personal services costs associated with both positions, and the remaining balance will be requested from the General Fund. Using an estimate that five individuals will donate their entire dividend, the out-year expenditure estimates were reduced by \$400.00 ($(5 * \$1,100) * .07 = \385.00). Structuring the fiscal note in this manner will eliminate Dividend Funds from being spent, and allow the General Fund to cover the costs associated with implementing this option that will directly benefit the fund.

The revenue that will be generated from individuals that choose to contribute all or a portion of their dividend to the General Fund through this new program is indeterminate. Using PCG as an example annual contributions range anywhere from \$25.00 to over \$123,000.00. At this time the estimated number of individuals that will contribute to the General Fund utilizing this option are on the lower end of that range, but precisely predicting where the General Fund will fall on this spectrum is unknown. Therefore, the impact of the seven percent collection in the out years was projected conservatively.