

**COMMITTEE REPORT**  
**SENATE**

FURTHER:

2/15/84

Date 2/28/84

Mr. President

The Committee on FINANCE considered CSHB 516(Fin) special appropriation for the payment of 1983 permanent fund dividends to eligible persons who apply for the dividends during an extended application period; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT" [ ] NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Chairman recommendation

Offered: 1/30/84  
Referred: Rules

Original sponsors: Adams, Uehling  
and Grussendorf

Funding Information

General Fund	\$	-0-
Other Funds		11,869,300
		<u>\$11,869,300</u>

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 516 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act making a special appropriation for the pay-  
ment of 1983 permanent fund dividends to eligible  
persons who apply for the dividends during an ex-  
tended application period; and providing for an  
effective date."

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11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

12

\* Section 1. The sum of \$11,869,300 is appropriated to the dividend  
fund (AS 43.23.045) from the net income of the Alaska permanent fund earned  
during the fiscal year ending June 30, 1983.

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\* Sec. 2. The sum of \$11,584,500 is appropriated from the dividend fund  
to the Department of Revenue for the payment of 1983 permanent fund divi-  
dends to eligible persons who apply for 1983 permanent fund dividends  
during an extended application period.

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\* Sec. 3. The sum of \$284,800 is appropriated from the dividend fund to  
the Department of Revenue for administrative costs associated with the  
processing of 1983 permanent fund dividend applications filed during an  
extended application period.

23

24

25

\* Sec. 4. The unexpended and unobligated portion of the appropriation  
made by this Act lapses into the dividend fund (AS 43.23.045) June 30,  
1985.

26

27

\* Sec. 5. This Act takes effect on the effective date of an Act extend-  
ing the application deadline for 1983 permanent fund dividends.

HOUSE BILL 516

An Act making a special appropriation for the payment of 1983 permanent fund dividends to eligible persons who apply for the dividends during an extended application period; and providing for an effective date.

1/16/84                    Introduced by Adams  
 First Reading, House  
 Referred: State Affairs, Finance

1/24/84                    State Affairs, "do pass", 6/0

1/30/84                    Finance, Committee Substitute, "do pass", 10/0

2/2/84                    Second Reading, House  
 Committee Substitute adopted unanimously  
 Third Reading, House  
 Passed 36-0-4

2/3/84                    First Reading, Senate  
 Referred: State Affairs, Finance

2/15/84                    State Affairs, "do pass" Ray, V.Fischer  
                               "do not pass" Kelly  
                               "no recommendation" Sturgulewski

Fiscal Note:            \$11,869,300

## Summary:

HB 516 and its companion HB 478 would change present law to allow an extension on the deadline for filing 1983 permanent fund dividend applications, and provide the funding to pay dividends to late filers. ~~Senator~~ <sup>?</sup> ~~Adams~~ introduced the bill to accomodate constituents who did not know of the June 30 deadline for filing because they were fishing etc.

Two changes in HB 516 were made by the House Finance Committee.

- 1) The amount for administration was reduced slightly because of a revised projection from the Department of Revenue.
- 2) Funding left in the account would lapse to the Dividend Fund instead of the General Fund on June 30, 1985, to preserve the Permanent Fund.

\$11,584,500 is appropriated for permanent fund dividend checks;

\$ 284,800 is prropriated for administrative costs of extending the application period to May 15, 1984 and paying the dividends.

Alaska State Legislature  
House of Representatives

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Official Business

Al Adams  
Chairman  
Committee on Finance

February 9, 1984

MEMORANDUM

TO: Members of the Senate State Affairs Committee  
FROM: Representative Al Adams *APA*  
SUBJ: HBs 478 and 516: Extension of application period for 1983 permanent fund dividends

I have introduced the above captioned bills because many of my constituents contacted me during the interim to let me know that they were unable to file for their 1983 dividend checks because of the nature of their seasonal employment. Because the original deadline was June 30th, many of my constituents were out fishing or otherwise involved with activities away from home in isolated areas, and therefore they were not aware of the deadline.

Since I have worked closely with the Department of Revenue in the development of this legislation, I do not anticipate that this problem will occur every year, necessitating similar legislation each session. I am confident that the Department will make every effort to insure that Alaskans who leave home for work for part or all of the summer will have adequate opportunity to file for their yearly dividend check.

HB 478

HB 478 is the bill that actually changes the language of the statute to extend the deadline to May 15, 1984. However, an applicant must have been a resident of the state for six months before March 31, 1983, the date that establishes residency for those who have already received a 1983 dividend. Thus, the application period is extended but not the period for establishing residency in 1983.

The bill also provides that only funding appropriated or allocated for 1983 dividends can be used to pay the dividend checks of new applicants. Further, it states that dividends will not be paid out until after March 1, 1984 (so as not to conflict with the schedule for

paying dividends for other years) and gives the Department the authority to promulgate regulations to implement the bill. The bill has an immediate effective date.

HB 516

HB 516 makes the necessary appropriations to pay 1983 dividends to late filers. The funding provided comes from interest earned on the permanent fund principal during FY 83. This is the source of funding established in statute for payment of permanent fund dividends (see AS 43.23.045(b)). As you know, 50% of the interest earned on the permanent fund each year is earmarked for payment of permanent fund dividends. This past year, the Department of Revenue underestimated how much the interest earnings would be. Therefore, the legislature appropriated approximately \$19 million less for dividends than what has actually turned out to be 50% of interest earnings. The funding provided in this bill comes from that \$19 million.

\$11,584,500 is the amount estimated as necessary to pay the dividends of late filers. Obviously, it is difficult for the Department to estimate exactly how many people will file during the extended deadline period. This represents their best guess at this time. And, according to the terms of the House Finance committee substitute, any funding not used for this purpose would lapse to the dividend fund at the end of FY 85. This money would then earn interest, and be available for dividend distribution for calendar year 1984.

\$347,600 was originally appropriated for processing the dividend applications. However, that amount has since been reduced to \$284,800. This is the amount appropriated in the House Finance committee substitute. Please refer to the analysis section of your fiscal note on HB 478 for a detailed description of the funds needed to process the checks.

You may also be interested in knowing that I had the Division of Legislative Finance review the need for these administrative funds. Basically, the Division concluded that the appropriation amount is necessary if 30,000 applicants do apply. In the event that there are fewer applicants, the funding lapses. Therefore, I would respectfully suggest that the appropriation amount for administration should remain as is.

The bill would become effective on the same date that a bill extending the deadline becomes effective.

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

FINAL

Revision Date \_\_\_\_\_

REQUEST

Bill/Resolution No: HB 478  
 Title: An act relating to the  
Permanent Fund Dividend program  
 Sponsor: Adams/MM.Miller/Duncan/Grussendorf  
 Requestor: State Affairs and Finance  
 Date of Request: 1/9/84

FISCAL DETAIL

Agency Affected: Revenue  
 Program Category Affected: \_\_\_\_\_  
General Government  
 BRU, Program of Subprogram(s) Affected:  
Permanent Fund Dividend

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: See attached

Prepared By: Ervin B. Jones  
 Division: Administrative Services Division

Phone: 465-2313  
 Date: 1/16/84

Approved by Commissioner: [Signature]  
 Agency: Revenue

Date: 2/16/84

Distribution (by Agency preparing fiscal note):

Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

### Analysis

Since the majority of the expenditures for the reopening of the filing period would be in FY 84, a fiscal note which would be effective July 1, 1984 would be inappropriate. Rather, a special appropriation with a June 30, 1985 lapse date would allow the funds to be expended in FY 84 and early FY 85 as the legislation would require.

The attached schedule presents the total special appropriation required, with an allocation for dividends and a second allocation to cover the administrative expense of the Department of Revenue for administering the reopening. This summary schedule and the detailed schedules presented for each of the three operational divisions involved in the PFD program are based on the following key assumptions:

- 1) The legislation and the special appropriation is signed into law by the end of February, 1984.
- 2) The Department of Revenue is to pay or deny all applicants filing during the extended period by June 30, 1984. This expedited processing minimizes the possibility of public confusion between the 1983 reopening and the 1984 PFD filing requirement. The 1984 filing period is from June 1 through September 30, 1984. Any overlap of these two periods is going to create a great deal of unnecessary confusion and resultant additional costs to the program.
- 3) All estimates are based on a conservative estimate of the potential late filers of 30,000, roughly the difference between the number of 1982 applicants and the number of timely-filed 1983 applicants. If, in fact the total applicants turns out to be less, some costs, such as personal services in Administrative Services and Enforcement and data processing will be less. Other expenditures, such as forms cost, rural assistance and advertising will have already been made. It is the intention of the Department that all administrative costs appropriated be separately accounted for and any balances lapsed when the program is completed.

HB 478  
Extension of 1983 PFD Filing Period  
PFD BRU  
Summary of estimated additional cost  
January 16, 1984

Direct costs of additional dividends  
(Estimated 30,000 applicants X \$386.15) = \$11,584,500

Administrative costs of reopening and expedited processing:

Administrative Services Division  
(Application processing, data processing) \$ 39,654

Public Services Division (Rural assistance  
outreach program, statewide advertising,  
Service Center assistance, telephone  
assistance) \$132,300

Enforcement Division (Review and investi-  
gation of potential fraudulent/erroneously  
filed applications) \$112,896

TOTAL administrative costs \$284,850

TOTAL estimated additional cost of reopening 1983  
filing period \$11,869,350

HB 478  
Extension of 1983 PFD Filing Period  
PFD BRU Estimated Additional Cost  
Administrative Services Division  
January 16, 1984

The Administrative Services Division is responsible for the physical processing of PFD applications, from opening the incoming mail to releasing the actual checks. This includes batching, microfilming, date-stamping, affixing a document locator number for later retrieval, reviewing for errors and completeness and coding for data capture. The division is also responsible for forms production and management, designing, creating, modifying and maintaining the myriad data processing programs that make up the PFD data processing system and for processing, balancing and certifying the actual check runs, including all accounting functions, and cancellation and subsequent reissue of returned warrants.

Although the majority of the extra processing effort would be absorbed by existing staff, there are certain direct costs that are unavoidable such as forms cost and postage. To expedite the processing, so that all applications would be on file, reviewed, and either paid or denied by June 30, 1984, three part-time employees are needed from approximately March 1 through June 30, 1984 at a total cost of \$21,354.

The schedule below details the estimated costs.

Personal Services

3 Revenue Scanners, R9, @ \$1,649/Month plus \$130.50/Month in benefits for 4 months	\$21,354
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For mail opening, distribution, affixing document locator number, batching, scanning for errors, missing information, correspondence with applicants for missing information, identifying potential Enforcement investigation cases based on predetermined criteria, data-capture, verification of data captured, maintaining accounting controls on payment runs, balancing runs, retrieval and filing of applications.

Travel	1,000
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Arranging for expedited printing of various forms, coordination of processing new applications with Anchorage field office.

Contractual

Data Processing

Estimated additional CPU run time for update and payment runs, as well as special runs to assist Enforcement Investigations review these late-filed applications, 1,800 CPU sec/Week for additional 16 weeks (it is assumed that this cost will not be billed to Revenue by Department of Administration--DP).

\$ -0-

Forms Printing

30,000 Application Booklets	\$4,000	
15,000 Receipts @ \$20/M	300	
2,000 Scan letters @ \$30/M	<u>60</u>	
TOTAL Printing		4,500

Postage

30,000 checks @ 18¢/ea.	\$5,400	
15,000 Receipts @ 20¢/ea.	3,000	
2,000 Scan letters @ 20¢/ea.	400	
5,000 General correspondence @ 20¢/ea.	<u>1,000</u>	
TOTAL Postage		9,800

Telephone (LD.)	<u>2,000</u>	
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TOTAL Contractual		16,300
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Supplies		<u>1,000</u>
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TOTAL Administrative Services cost		<u>\$ 39,654</u>
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HB 478  
 Extension of 1983 PFD Filing Period  
 PFD BRU  
 Estimated Additional Cost  
 Public Services Division Component

The Public Services Division is charged with assisting the public in meeting the application requirements of the PFD program. This assistance comes in several forms; a) walk-in assistance at three service centers in the state, b) toll free telephone service, c) assistance provided at selected shopping malls on weekends, and d) scheduled assistance in selected rural communities throughout the state.

This Division will conduct an advertising campaign aimed at reaching those eligible individuals that were unable to file during the original filing period. It is anticipated that this campaign will rely heavily on public service announcements coupled with eye-catching posters throughout the state. Approximately half of the advertising exposure will be used for local advertising just prior to the scheduled visits to the rural communities.

During the filing period and prior to payment this Division attempts to resolve any problems the applicants may encounter with the program including a change of address.

Below please find a breakdown of the estimated costs:

Personal Services

5 Tax Examiners I/II (Range 10/12) for 3 months This staff will be used for augmenting the service centers (15 months @ \$2,400)	\$36,000	
4 Tax Examiner I/II (Range 10/12) for 2 months This staff will be used for the rural assistance program (8 months @ \$2,400)	<u>19,200</u>	\$ 55,200

Travel

Transportation	\$26,000	
Per Diem	<u>6,500</u>	32,500

Contractual Services

Advertising (Radio, T.V., Newspaper and Posters)	\$14,600	
Telephone (Toll Free Zenith Numbers - approximately \$10,000 a month)	<u>30,000</u>	<u>44,600</u>

Total Public Services Division Costs	<u>\$132,300</u>
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HB 478  
Extension of the 1983 PFD Filing Period  
PFD BRU  
Estimated Additional Cost for the Enforcement Division  
January 13, 1984

Program Analysis

The impact of this bill on the Enforcement Division is strictly dependent on the number of applications filed under the extended deadline and the corresponding number of investigations which are likely to be necessary. If, as a matter of policy, we choose not to investigate any of the applications filed under the extended deadline, we could probably absorb the incidental increased workload in stop payment requests and garnishments with current staff. However, this policy would likely result in a substantial number of fraudulent or erroneous filings being paid. Therefore, for the overall integrity of the program it is essential some investigative effort be focused on applications filed under the extended deadline.

The most positions we would likely be able to efficiently absorb would be five Investigators, one in Anchorage and four in Juneau. With the supplemental clerical support, one Clerk Typist each in Anchorage and Juneau, we would likely be able to have our investigators complete 20 investigations per week.

Clerical staff is needed to answer incoming telephone calls, requisition supplies, enter updated information on PFD files, file cases, type correspondence, including denial letters and inquiries for information, provide general support for our investigative staff.

Assuming we can hire personnel and have equipment installed by the second week of March, 1984, this leaves a little over 14 weeks of review time prior to the June 21 data entry deadline required by the payment deadline of June 30, 1984. If each of the five investigators can complete investigations on 20 applications per week for 14 weeks, 1400 applications would be reviewed. Our denial rate is estimated to be 40% of those selected for review. If 1400 were reviewed, then approximately 560 would be denied. We would estimate a 10-11% appeal rate, resulting in 55-60 appeals.

Once the investigations are complete, we would keep the two PFD Investigator II positions for up to two months each, with the clerical support, in order to help resolve appeals at the informal conference level.

The Enforcement Division review process is the only part of the current program which generates actual overall cost savings to the PFD program. The monies saved by identifying invalid or fraudulent applications have historically exceeded the cost of the reviews. In this case, given the scenario described above, the potential savings to the PFD program would be  $\$386.15 \times 560 = \$216,244$  or 192% of the requested budget of \$112,896.

Computations

Personal Services (100)

PFD Investigator II (R13)	2 for 6 months @ \$2,800/mo.	\$ 33,600
PFD Investigator I (R12)	3 for 4 months @ \$2,645/mo.	31,740
Clerk Typist III (R08)	2 for 6 months @ \$2,130/mo.	<u>25,560</u>

Total Personal Services (100)

90,900

Contractual Service (300)

Telephone

Telephone purchase	4 phones @ \$ 60	240
Installation - Juneau	4 phones @ \$ 90	360
Local Centrex - Juneau	4 for 6 months @ \$ 46/mo.	1,104
Juneau	1 for 2 months @ \$ 46/mo.	92
Long Distance - Anchorage	6 months @ \$1,000/mo.	6,000
Long Distance - Juneau	4 months @ \$2,000/mo.	8,000
Long Distance - Juneau	2 months @ \$1,000/mo.	<u>2,000</u>

Computer Terminals

Installation	1 terminal @ \$2,000	2,000
Rental	1 terminal for 6 months @ \$ 200/mo.	<u>1,200</u>

Total Contractual Services (300)

20,996

Supplies (400)

Stationery, envelopes, and office supplies		<u>1,000</u>
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Total Enforcement Division

\$112,896

COMMITTEE REPORT  
SENATE

FURTHER:

FINANCE

2/3/84

Date

2/14/84

Mr. President

The Committee on STATE AFFAIRS considered CSHB 516(Fin)

making a special appropriation for the payment of 1983 permanent fund dividends to eligible persons who apply for the dividends during an extended application period; efd. and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
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- same title and recommends \_\_\_\_\_
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MEMBERS SIGNING  
DO PASS

1 Bill Ray  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

2 Tom Kelly - Do Not Pass  
3 Allis Sturgis - No Fee  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

1 [Signature]  
Chairman

do pass  
Chairman recommendation

Introduced: 1/16/84  
Referred: State Affairs and Finance

Funding Information

General Fund	\$	-0-
Other Funds		<u>11,932,100</u>
		\$11,932,100

1 IN THE HOUSE

BY ADAMS AND UEHLING

2

HOUSE BILL NO. 516

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act making a special appropriation for the pay-  
/ ment of 1983 permanent fund dividends to eligible  
8 persons who apply for the dividends during an ex-  
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13 fund (AS 43.23.045) from the net income of the Alaska permanent fund earned  
14 during the fiscal year ending June 30, 1983.

15 \* Sec. 2. The sum of \$11,584,500 is appropriated from the dividend fund  
16 to the Department of Revenue for the payment of 1983 permanent fund  
17 dividends to eligible persons who apply for 1983 permanent fund dividends  
18 during an extended application period.

19 \* Sec. 3. The sum of \$347,600 is appropriated from the dividend fund to  
20 the Department of Revenue for administrative costs associated with the  
21 processing of 1983 permanent fund dividend applications filed during an  
22 extended application period.

23 \* Sec. 4. The unexpended and unobligated portion of the appropriation  
24 made by this Act lapses into the general fund June 30, 1985.

25 \* Sec. 5. This Act takes effect on the effective date of an Act extend-  
26 ing the application deadline for 1983 permanent fund dividends.

HOUSE BILL 516

An Act making a special appropriation for the payment of 1983 permanent fund dividends to eligible persons who apply for the dividends during an extended application period; and providing for an effective date.

1/16/84            Introduced by Adams  
 First Reading, House  
 Referred: State Affairs, Finance

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Fiscal Note:       \$11,869,300

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Alaska State Legislature  
House of Representatives

Al Adams  
Chairman  
Committee on Finance

February 9, 1984

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1024 W. 6th  
Anchorage, Alaska 99501  
(907) 274-0615



Official Business

MEMORANDUM

TO: Members of the Senate State Affairs Committee

FROM: Representative Al Adams *APA*

SUBJ: HBs 478 and 516: Extension *APA* application  
period for 1983 permanent *APA* dividends

I have introduced the above captioned bills because many of my constituents contacted me during the interim to let me know that they were unable to file for their 1983 dividend checks because of the nature of their seasonal employment. Because the original deadline was June 30th, many of my constituents were out fishing or otherwise involved with activities away from home in isolated areas, and therefore they were not aware of the deadline.

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STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

FINAL

Revision Date \_\_\_\_\_

REQUEST

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Sponsor: Adams/MM.Hiller/Duncan/Grussendorf  
Requestor: State Affairs and Finance  
Date of Request: 1/9/84

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Program Category Affected: General Government  
BRU, Program of Subprogram(s) Affected: Permanent Fund Dividend

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	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: See attached

Prepared By: Ervin B. Jones  
Division: Administrative Services Division

Phone: 465-2313  
Date: 1/16/84

Approved by Commissioner: [Signature]  
Agency: Revenue

Date: 2/16/84

Distribution (by Agency preparing fiscal note):

Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

### Analysis

Since the majority of the expenditures for the reopening of the filing period would be in FY 84, a fiscal note which would be effective July 1, 1984 would be inappropriate. Rather, a special appropriation with a June 30, 1985 lapse date would allow the funds to be expended in FY 84 and early FY 85 as the legislation would require.

The attached schedule presents the total special appropriation required, with an allocation for dividends and a second allocation to cover the administrative expense of the Department of Revenue for administering the reopening. This summary schedule and the detailed schedules presented for each of the three operational divisions involved in the PFD program are based on the following key assumptions:

- 1) The legislation and the special appropriation is signed into law by the end of February, 1984.
- 2) The Department of Revenue is to pay or deny all applicants filing during the extended period by June 30, 1984. This expedited processing minimizes the possibility of public confusion between the 1983 reopening and the 1984 PFD filing requirement. The 1984 filing period is from June 1 through September 30, 1984. Any overlap of these two periods is going to create a great deal of unnecessary confusion and resultant additional costs to the program.
- 3) All estimates are based on a conservative estimate of the potential late filers of 30,000, roughly the difference between the number of 1982 applicants and the number of timely-filed 1983 applicants. If, in fact the total applicants turns out to be less, some costs, such as personal services in Administrative Services and Enforcement and data processing will be less. Other expenditures, such as forms cost, rural assistance and advertising will have already been made. It is the intention of the Department that all administrative costs appropriated be separately accounted for and any balances lapsed when the program is completed.

HB 478  
Extension of 1983 PFD Filing Period  
PFD BRU  
Summary of estimated additional cost  
January 16, 1984

Direct costs of additional dividends (Estimated 30,000 applicants X \$386.15)	=	\$11,584,500
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Administrative costs of reopening and expedited processing:

Administrative Services Division (Application processing, data processing)	\$ 39,654
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Public Services Division (Rural assistance outreach program, statewide advertising, Service Center assistance, telephone assistance)	\$132,300
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Enforcement Division (Review and investi- gation of potential fraudulent/erroneously filed applications)	\$112,896
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TOTAL administrative costs	<u>\$284,850</u>
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TOTAL estimated additional cost of reopening 1983 filing period	<u>\$11,869,350</u>
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HB 478  
Extension of 1983 PFD Filing Period  
PFD BRU Estimated Additional Cost  
Administrative Services Division  
January 16, 1984

The Administrative Services Division is responsible for the physical processing of PFD applications, from opening the incoming mail to releasing the actual checks. This includes batching, microfilming, date-stamping, affixing a document locator number for later retrieval, reviewing for errors and completeness and coding for data capture. The division is also responsible for forms production and management, designing, creating, modifying and maintaining the myriad data processing programs that make up the PFD data processing system and for processing, balancing and certifying the actual check runs, including all accounting functions, and cancellation and subsequent reissue of returned warrants.

Although the majority of the extra processing effort would be absorbed by existing staff, there are certain direct costs that are unavoidable such as forms cost and postage. To expedite the processing, so that all applications would be on file, reviewed, and either paid or denied by June 30, 1984, three part-time employees are needed from approximately March 1 through June 30, 1984 at a total cost of \$21,354.

The schedule below details the estimated costs.

Personal Services

3 Revenue Scanners, R9, @ \$1,649/Month plus \$130.50/Month in benefits for 4 months	\$21,354
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For mail opening, distribution, affixing document locator number, batching, scanning for errors, missing information, correspondence with applicants for missing information, identifying potential Enforcement investigation cases based on predetermined criteria, data-capture, verification of data captured, maintaining accounting controls on payment runs, balancing runs, retrieval and filing of applications.

Travel	1,000
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Arranging for expedited printing of various forms, coordination of processing new applications with Anchorage field office.

Contractual

Data Processing

Estimated additional CPU run time for update and payment runs, as well as special runs to assist Enforcement Investigations review these late-filed applications, 1,800 CPU sec/Week for additional 16 weeks (it is assumed that this cost will not be billed to Revenue by Department of Administration-- DP).

\$ -0-

Forms Printing

30,000 Application Booklets \$4,000  
15,000 Receipts @ \$20/M 300  
2,000 Scan letters @ \$30/M 60  
TOTAL Printing

4,500

Postage

30,000 checks @ 18¢/ea. \$5,400  
15,000 Receipts @ 20¢/ea. 3,000  
2,000 Scan letters @ 20¢/ea. 400  
5,000 General correspondence  
@ 20¢/ea. 1,000  
TOTAL Postage

9,800

Telephone (LD.)

2,000

TOTAL Contractual

16,300

Supplies

1,000

TOTAL Administrative Services cost

\$ 39.654

HB 478  
 Extension of 1983 PFD Filing Period  
 PFD BRU  
 Estimated Additional Cost  
 Public Services Division Component

The Public Services Division is charged with assisting the public in meeting the application requirements of the PFD program. This assistance comes in several forms; a) walk-in assistance at three service centers in the state, b) toll free telephone service, c) assistance provided at selected shopping malls on weekends, and d) scheduled assistance in selected rural communities throughout the state.

This Division will conduct an advertising campaign aimed at reaching those eligible individuals that were unable to file during the original filing period. It is anticipated that this campaign will rely heavily on public service announcements coupled with eye-catching posters throughout the state. Approximately half of the advertising exposure will be used for local advertising just prior to the scheduled visits to the rural communities.

During the filing period and prior to payment this Division attempts to resolve any problems the applicants may encounter with the program including a change of address.

Below please find a breakdown of the estimated costs:

Personal Services

5 Tax Examiners I/II (Range 10/12) for 3 months This staff will be used for augmenting the service centers (15 months @ \$2,400)	\$36,000	
4 Tax Examiner I/II (Range 10/12) for 2 months This staff will be used for the rural assistance program (8 months @ \$2,400)	<u>19,200</u>	\$ 55,200

Travel

Transportation	\$26,000	
Per Diem	<u>6,500</u>	32,500

Contractual Services

Advertising (Radio, T.V., Newspaper and Posters)	\$14,600	
Telephone (Toll Free Zenith Numbers - approximately \$10,000 a month)	<u>30,000</u>	<u>44,600</u>

Total Public Services Division Costs	<u>\$132,300</u>
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HB 478  
Extension of the 1983 PFD Filing Period  
PFD BRU  
Estimated Additional Cost for the Enforcement Division  
January 13, 1984

Program Analysis

The impact of this bill on the Enforcement Division is strictly dependent on the number of applications filed under the extended deadline and the corresponding number of investigations which are likely to be necessary. If, as a matter of policy, we choose not to investigate any of the applications filed under the extended deadline, we could probably absorb the incidental increased workload in stop payment requests and garnishments with current staff. However, this policy would likely result in a substantial number of fraudulent or erroneous filings being paid. Therefore, for the overall integrity of the program it is essential some investigative effort be focused on applications filed under the extended deadline.

The most positions we would likely be able to efficiently absorb would be five Investigators, one in Anchorage and four in Juneau. With the supplemental clerical support, one Clerk Typist each in Anchorage and Juneau, we would likely be able to have our investigators complete 20 investigations per week.

Clerical staff is needed to answer incoming telephone calls, requisition supplies, enter updated information on PFD files, file cases, type correspondence, including denial letters and inquiries for information, provide general support for our investigative staff.

Assuming we can hire personnel and have equipment installed by the second week of March, 1984, this leaves a little over 14 weeks of review time prior to the June 21 data entry deadline required by the payment deadline of June 30, 1984. If each of the five investigators can complete investigations on 20 applications per week for 14 weeks, 1400 applications would be reviewed. Our denial rate is estimated to be 40% of those selected for review. If 1400 were reviewed, then approximately 560 would be denied. We would estimate a 10-11% appeal rate, resulting in 55-60 appeals.

Once the investigations are complete, we would keep the two PFD Investigator II positions for up to two months each, with the clerical support, in order to help resolve appeals at the informal conference level.

The Enforcement Division review process is the only part of the current program which generates actual overall cost savings to the PFD program. The monies saved by identifying invalid or fraudulent applications have historically exceeded the cost of the reviews. In this case, given the scenario described above, the potential savings to the PFD program would be  $\$386.15 \times 560 = \$216,244$  or 192% of the requested budget of  $\$112,896$ .

Computations

Personal Services (100)

PFD Investigator II (R13)	2 for 6 months @ \$2,800/mo.	\$ 33,600
PFD Investigator I (R12)	3 for 4 months @ \$2,645/mo.	31,740
Clerk Typist III (R08)	2 for 6 months @ \$2,130/mo.	<u>25,560</u>

Total Personal Services (100)

90,900

Contractual Service (300)

Telephone

Telephone purchase	4 phones @ \$ 60	240
Installation - Juneau	4 phones @ \$ 90	360
Local Centrex - Juneau	4 for 6 months @ \$ 46/mo.	1,104
Juneau	1 for 2 months @ \$ 46/mo.	92
Long Distance - Anchorage	6 months @ \$1,000/mo.	6,000
Long Distance - Juneau	4 months @ \$2,000/mo.	8,000
Long Distance - Juneau	2 months @ \$1,000/mo.	<u>2,000</u>

Computer Terminals

Installation	1 terminal @ \$2,000	2,000
Rental	1 terminal for 6 months @ \$ 200/mo.	<u>1,200</u>

Total Contractual Services (300)

20,996

Supplies (400)

Stationery, envelopes, and office supplies		<u>1,000</u>
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Total Enforcement Division

\$112,896