

HB

473

1/18/84

Permanent Fund Bills Background

HB 473 by Martin
&
HB 478 by Adams

These two Bills are identical-- but just in case Mr. Miller wants to give you a hard time by arguing in favor of the lowest bill number; please note that Rep. Adams has worked closely during the interim with the Department of Revenue on this legislation. (for your personal info: Bob Heath is supposed to testify in favor of Adams' bill.)

HB 478 also has a companion appropriation bill which is HB 516 (the one you tried to waive the 5-day rule on). HB 516 is scheduled for a hearing on Monday the 23rd.

Both Reps. Adams and Martin are expected to testify at today's hearing. Commissioner Heath will then give an overview of the extended filing situation. The Department of Revenue's bill analysis which is behind the fiscal note, is extremely well done and worthy of a stroke or two.

As of yesterday (1/17), neither the Department nor the sponsor anticipated any amendments.

Committee Action: Hold the bills over to Friday so that the committee may hear additional testimony from the sponsors of two other permanent fund extension bills: HB 483, by Mr. Miller (Juneau) and HB 490, by Rep. McBride (this is your 'early in the session olive branch.')

Alaska State Legislature

REPRESENTATIVE
TERRY MARTIN

DISTRICT 8
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DURING LEGISLATURE
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To: House State Affairs Committee

From: Representative Terry Martin *T.M.*

Date: January 16, 1984

Re: HB 473
"An Act relating to the permanent fund dividend distribution program; and providing for an effective date."

Because of the short period for filing this year, there seems to be legitimate concern on the part of constituents supporting extension of the filing deadline.

The most often expressed concern was on behalf of children, especially children born after the deadline. In one instance, a woman did not file on behalf of her unborn child, who was not due to be born until after the deadline. However, the child was born earlier than expected, but not early enough for the parents to file on its behalf. Because of these concerns, I feel justified in attempting to extend the deadline.

It is my understanding that another bill may be used as the vehicle by which to accomplish this extension. I have no objection to another bill being used. If the committee is interested, my preference would be to move Representative Adams's bill, HB 478, which may be more appropriate.

If you have any further questions or concerns, please contact me.

488
Position 988
435
53000

Revision Date _____

REQUEST
Bill/Resolution No: HB 473
Title: An act relating to the
Permanent Fund Dividend program
Sponsor: Martin
Requestor: State Affairs
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-
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: 1/16/84

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 following 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 specified 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 November 30, 1984. The expanded filing period specified overlaps the 1984 PFD filing period (June 1 - September 30, 1984). The resultant confusion to the public and increased difficulties for the Department of Revenue in keeping the separation of programs will unfortunately result in additional administrative costs and perhaps more importantly, delays in payment and greater frustration among the very public which the bill is designed to help.
- 3) It is assumed that the Legislature would wish to maintain the same eligibility period for those applicants filing in the extended 1983 filing period as applied for the majority of Alaska residents who filed within the original filing period. The original eligibility period for the 1983 PFD program was October 3, 1982 through March 31, 1983. If, in fact, the Legislature wishes to change the eligibility period to the six month period ending October 15, 1983, the Department would request additional time in which to estimate the number of new-comers to the state who would qualify under the later eligibility period.
- 4) 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 473
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)	\$209,610	
Public Services Division (Rural assistance outreach program, statewide advertising, Service Center assistance, telephone assistance)	\$231,700	
Enforcement Division (Review and investi- gation of potential fraudulent/erroneously filed applications)	\$243,635	
 TOTAL administrative costs		 <u>\$684,945</u>
 TOTAL estimated additional cost of reopening 1983 filing period		 <u>\$12,269,445</u>

HB 473
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. Also, since this represents an additional demand on the Department of Administration's mainframe computer, the Department of Revenue would be billed for the additional CPU run time. This amount of \$141,264 would be transferred to the Department of Administration by a reimbursable services agreement based on actual use.

To expedite the processing, so that all applications would be on file, reviewed, and either paid or denied by November 30, 1984, three part-time employees are needed from approximately March 1 through November 30, 1984 at a total cost of \$48,046.

The schedule below details the estimated costs.

Personal Services

3 Revenue Scanners, R9, @ \$1,649/Month plus \$130.50/Month in benefits for 9 months	\$48,046
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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 (Interagency transfer to Department of Administration):

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 @ \$2.18/CPU sec. for additional 36 weeks.

\$141,264

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.)

4,000

TOTAL Contractual

159,564

Supplies

1,000

TOTAL Administrative Services cost

\$209,610

HB 473
 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

3 Tax Examiners I/II (Range 10/12) for 8 months		
2 Tax Examiners I/II (Range 10/12) for 3 months		
This staff will be used for augmenting the service centers (30 months @ \$2,400)	\$72,000	
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>	\$ 91,200

Travel

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

Contractual Services

Advertising - additional advertising is needed to dispel confusion with overlapping filing periods. (Radio, T.V., Newspaper and Posters)	\$28,000	
Telephone (Toll Free Zenith Numbers - approximately \$10,000 a month)	<u>80,000</u>	<u>108,000</u>

Total Public Services Division Costs	<u>\$231,700</u>
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HB 473
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 35 weeks of review time prior to the November 21 data entry deadline required by the payment deadline of November 30, 1984. If each of the five investigators can complete investigations on 20 applications per week for 35 weeks, 3500 applications would be reviewed. Our denial rate is estimated to be 30% of those selected for review. If 3500 were reviewed, then approximately 1,050 would be denied. We would estimate a 10-11% appeal rate, resulting in 105-115 appeals.

Once the investigations are complete, we would keep the two PFD Investigator II positions for up to four 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 $\$336.15 \times 1,050 = \$405,458$ or 166% of the following budget of \$243,635.

Computations

Personal Services (100)

PFD Investigator II (R13)	2 for 13 months @ \$2,800/mo.	\$ 72,800
PFD Investigator I (R12)	3 for 9 months @ \$2,645/mo.	71,415
Clerk Typist III (R08)	2 for 13 months @ \$2,130/mo.	55,380

Total Personal Services (100) 199,595

Contractual Service (300)

Telephone

Telephone purchase	4 phones @ \$ 60	240
Installation - Juneau	4 phones @ \$ 90	360
Local Centrex - Juneau	4 for 9 months @ \$ 46/mo.	1,656
	1 for 4 months @ \$ 46/mo.	184
Long Distance - Anchorage	13 months @ \$1,000/mo.	13,000
Long Distance - Juneau	9 months @ \$2,000/mo.	18,000
Long Distance - Juneau	4 months @ \$1,000/mo.	4,000

Computer Terminals

Installation	1 terminal @ \$2,000	2,000
Rental	1 terminal for 13 months @ \$ 200/mo.	2,600

Total Contractual Services (300) 42,040

Supplies (400)

Stationery, envelopes, and office supplies		<u>2,000</u>
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Total Enforcement Division \$243,635