State of Alaska
FY2006 Governor's Operating Budget

Department of Revenue
Permanent Fund Dividend Division
Component Budget Summary

Component: Permanent Fund Dividend Division

Contribution to Department's Mission

The mission of the division is to administer the Permanent Fund Dividend Program.

Core Services

- Administration of the annual application process
- Investigation and prosecution of PFD fraud; collection of dividend payments made to ineligible applicants
- Administration of the appeals process for denied applicants
- Garnishee dividends as appropriate
- Provide information from the PFD data base

End Results	Strategies to Achieve Results
A: All eligible Alaskans, whose applications are not on appeal, receive their Permanent Fund Dividend in October. Target #1: 100% of eligible applicants not in appeal are paid in October. Measure #1: Percentage of eligible applicants not in appeal who are paid in October.	**A1: Provide staff with needed training to perform effectively.** Target #1: 100% of new staff receive standardized training within first three months. Measure #1: Percentage of new staff that receive standardized training within first three months. **A2: Maximize use of staff across unit lines throughout the cycle.** Target #1: 100% of staff are cross-trained to work in at least one other unit. Measure #1: Percentage of staff trained to work in at least one other unit. **A3: Increase use by the public of online filing and applicant support services.** Target #1: 50% of applications are filed on-line by 2006. Measure #1: Percentage of applicants that use on-line filing.
End Results	**Strategies to Achieve Results**
B: Processing cost per application is reduced or maintained. Target #1: Maintain cost of processing at or below FY2004 cost per application. Measure #1: Cost per application.	**B1: Reduce manual linking of supplemental documents.** Target #1: 50% of supplemental documents are electronically linked by the 2006 dividend cycle. Measure #1: Percentage of documents that are electronically linked. **B2: Reduce computer processing costs.** Target #1: Reduce mainframe computer processing costs by 10% per year through 2006. Measure #1: Percentage of reduction in mainframe

	processing costs.
End Results	**Strategies to Achieve Results**
C: Applicants who fraudulently file dividend applications are identified and prosecuted. Target #1: Increase identification and prosecution of fraud by 100%. Measure #1: Number of cases identified and prosecuted.	**C1: Increase audit actions to identify fraudulently filed applications.** Target #1: Implement one new special audit every year. Measure #1: New audits initiated. Target #2: Investigate all fraud tips received by September 1 prior to payment of current dividend. Measure #2: Percentage of fraud tips received by September 1 that are investigated prior to payment of current dividend.

Major Activities to Advance Strategies

- Prepare incoming mail for imaging
- Image applications and supplemental information
- Enter information into Dividend Application Information System (DAIS)
- Request additional information when needed
- Manually edit selected applications
- Review selected applications
- Respond to appeals
- Maintain essential computer support systems
- Standardize Information Office training
- Provide training to new staff
- Develop equipment plan
- Cross train staff to work in more than one functional area
- Allocate staff across unit lines to address peak workload

- Market on-line and myAlaska filing through media
- Expand myAlaska to all applicants
- Expand functionality of on-line applicant status inquiry
- Implement Optical Character Recognition
- Move mainframe applications to distributed servers
- Explore consolidation of imaging work with other agencies
- Acquire IRS database for 2005
- Obtain access to FBI databases, NCIS and NLETS
- Prosecute identified fraud under civil or criminal provisions of law
- Develop good website information on fraud investigation activity
- Publicize prosecuted criminal activity
- Redesign the myAlaska/PFD on-line application process to be more user friendly.

FY2006 Resources Allocated to Achieve Results

FY2006 Component Budget: $5,865,500	**Personnel:**	
	Full time	62
	Part time	29
	Total	91

Performance Measure Detail

A: Result - All eligible Alaskans, whose applications are not on appeal, receive their Permanent Fund Dividend in October.

Target #1: 100% of eligible applicants not in appeal are paid in October.
Measure #1: Percentage of eligible applicants not in appeal who are paid in October.

Percentage of Eligible Applicants Paid in October

Year	YTD
2002	93.6%
2003	93.7%
2004	94.0%
2005	Target: 95.0%
2006	Target: 98.0%

Analysis of results and challenges: Increase in on-line filing, increase use of automation in processing, and cross-utilization of staff should begin to improve performance in 2004. We anticipate reaching the goal in 2006.

A1: Strategy - Provide staff with needed training to perform effectively.

Target #1: 100% of new staff receive standardized training within first three months.
Measure #1: Percentage of new staff that receive standardized training within first three months.

Percent of Staff Receiving Standardized Training Within First Three Months

Year	YTD
2004	50%
2005	Target: 100%

Analysis of results and challenges: Standardized training was developed and implemented between December 2003 and January 2004. This training is proving to be effective for all staff and is updated with each session taught.

A2: Strategy - Maximize use of staff across unit lines throughout the cycle.

Target #1: 100% of staff are cross-trained to work in at least one other unit.
Measure #1: Percentage of staff trained to work in at least one other unit.

Percent of Staff Trained to Work in Other Units

Year	YTD
2004	75%
2005	Target: 100%

Analysis of results and challenges: We are on an annual cycle with over 625,000 applications coming in between January 1 and March 31. Staff now understand the need to be flexible to move with the workload through the processing cycle to be most cost effective.

A3: Strategy - Increase use by the public of online filing and applicant support services.

Target #1: 50% of applications are filed on-line by 2006.
Measure #1: Percentage of applicants that use on-line filing.

Percentage of Applicants Using On-line Filing

Year	YTD
2002	14.0%
2003	24.9%
2004	25.2%
2005	Target: 40.0%
2006	Target: 50.0%

Analysis of results and challenges: The Division will be "marketing" on-line filing in the 2005 application booklet and through the media during the filing period. With improvements to the on-line process, the division is projecting a good response in 2005 with 40% of applications filed on-line.

B: Result - Processing cost per application is reduced or maintained.

Target #1: Maintain cost of processing at or below FY2004 cost per application.
Measure #1: Cost per application.

Cost per Application

Year	YTD
2004	Calculation pending

Analysis of results and challenges: Cost savings achieved through on-line filing, imaging, equipment upgrades and electronic linking should at least offset the increase in the costs of personal services, support services and increased number of applicants.

B1: Strategy - Reduce manual linking of supplemental documents.

Target #1: 50% of supplemental documents are electronically linked by the 2006 dividend cycle.
Measure #1: Percentage of documents that are electronically linked.

Analysis of results and challenges: All forms have been re-designed to be linked electronically. Computer applications have been re-written to utilize optical character recognition (OCR). Implementation will occur with implementation of DAIS II, which has been delayed until January 1, 2006.

B2: Strategy - Reduce computer processing costs.

Target #1: Reduce mainframe computer processing costs by 10% per year through 2006.
Measure #1: Percentage of reduction in mainframe processing costs.

Percentage Reduction in Processing Costs (from $340.0 in FY2003)

Year	YTD
2004	Est: 10%
2005	Target: 10%

Analysis of results and challenges: Cost savings will result from development of more efficient computer programs and increased use of distributed processing. Note: Increased statewide mainframe rates are offsetting cost savings from streamlined applications.

C: Result - Applicants who fraudulently file dividend applications are identified and prosecuted.

Target #1: Increase identification and prosecution of fraud by 100%.
Measure #1: Number of cases identified and prosecuted.

Number of Fraud Cases Identified and Prosecuted

Year	YTD
2004	350
2005	Target: 700

Analysis of results and challenges: The ultimate, but unrealistic, goal is to eliminate all fraud in the program. However, we have no idea how much fraud currently exists in the program. Further, it would probably not be in cost effective to commit the resources necessary to eliminate all fraud if, in fact, it could be done. Therefore, targets are aimed at minimizing fraud and protecting the program to the extent practical.

C1: Strategy - Increase audit actions to identify fraudulently filed applications.

Target #1: Implement one new special audit every year.
Measure #1: New audits initiated.

Number of new audits initiated

Year	YTD
2004	2
2005	Target: 1

Analysis of results and challenges: During FY2005, a focused audit procedure is being developed and implemented. New audits for 2004 include reviewing applicants using private mail box addresses and those filing online from out of state.

Target #2: Investigate all fraud tips received by September 1 prior to payment of current dividend.
Measure #2: Percentage of fraud tips received by September 1 that are investigated prior to payment of current dividend.

Percentage of Fraud Tips Investigated Prior to Payment of Current Dividend

Year	YTD
2004	95%
2005	Target: 100%

Analysis of results and challenges: Inputting and reviewing these tips prior to September 1 will assure that persons who are easily exonerated receive their dividends timely, and that payment is held on all applications requiring more thorough review.

Key Component Challenges

- Communicating effectively with the public remains the division's biggest challenge. All program changes, such as on-line filing and elimination of confirmation letters, increase the challenge as the public adjusts to the change.

- Adjusting staff resources in an environment of great change. The division has cross trained all staff to perform work outside their own unit. As a result of on-line application, implementation of Optical Character Recognition, and other processing changes the division had to rethink the old stove-pipe organizational structure. Managers now meet weekly to allocate staff across the functions PFD performs based on workload, rather than on which unit employees are assigned. The 2006 environment is expected to be just as dynamic.

Significant Changes in Results to be Delivered in FY2006

- The Permanent Fund Dividend Division is targeting FY2006 as the first year in which all eligible PFD applicants (who are not in the appeal process) will be paid in October.

- The Division will increase the number of alleged fraud cases that are investigated and prosecuted.

Major Component Accomplishments in 2004

- Designed and implemented a standardized training module for all new PFD employees and structured technical training for all employees.

- Cross-trained 100% of PFD employees.

- For the first time in PFD history, completed review of all applications by January 1.

- Redesigned PFD forms to accommodate Optical Character Recognition.

- Eliminated the confirmation letter for a cost saving of approximately $90.0 in print and mail costs used to cover increases due to program growth and increases in personal services and other costs.

- Reallocated two positions to the Fraud Unit; implemented two new audits; investigated 634 fraud tips and denied or assessed dividends totaling $388.1; audited 745 applications for potential fraud and denied or assessed dividends totaling $71.1; achieved first ever federal indictment for PFD fraud.

- Obtained statutory subpoena power.

- All staff completed a one-day Excellence in Customer Service class especially developed for PFD.

Statutory and Regulatory Authority

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Contact Information
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Permanent Fund Dividend Division
Component Financial Summary

All dollars shown in thousands

	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	3,379.5	3,645.4	3,821.4
72000 Travel	56.5	25.5	25.5
73000 Services	1,847.4	1,821.8	1,954.4
74000 Commodities	117.4	64.2	64.2
75000 Capital Outlay	78.4	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	**5,479.2**	**5,556.9**	**5,865.5**
Funding Sources:			
1007 Inter-Agency Receipts	36.0	35.0	20.0
1050 Permanent Fund Dividend Fund	5,443.2	5,521.9	5,845.5
Funding Totals	**5,479.2**	**5,556.9**	**5,865.5**

Estimated Revenue Collections

Description	Master Revenue Account	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Unrestricted Revenues				
General Fund Program Receipts	51060	226.9	240.0	240.0
Unrestricted Fund	68515	25.3	35.0	35.0
Unrestricted Total		**252.2**	**275.0**	**275.0**
Restricted Revenues				
Interagency Receipts	51015	36.0	35.0	20.0
Restricted Total		**36.0**	**35.0**	**20.0**
Total Estimated Revenues		**288.2**	**310.0**	**295.0**

Summary of Component Budget Changes
From FY2005 Management Plan to FY2006 Governor

All dollars shown in thousands

	General Funds	Federal Funds	Other Funds	Total Funds
FY2005 Management Plan	**0.0**	**0.0**	**5,556.9**	**5,556.9**
Adjustments which will continue current level of service:				
-FY 05 Bargaining Unit Contract Terms: GGU	0.0	0.0	42.6	42.6
-FY06 Cost Increases for Bargaining Units and Non-Covered Employees	0.0	0.0	123.0	123.0
-Adjustments for Personal Services Working Reserve Rates and SBS	0.0	0.0	10.4	10.4
Proposed budget decreases:				
-2nd Year Fiscal Note Hearing Officer Transfer SB203 SLA2004 (Ch158 SLA2004 Sec2 P40 L30)	0.0	0.0	-52.4	-52.4
-2nd Year Fiscal Note PFD for University Fees Ch43 SLA2004 (SB393) (Ch158, SLA2004, Sec2, P42, L18)	0.0	0.0	-15.0	-15.0
Proposed budget increases:				
-Increased cost of mainframe services for PFD processing	0.0	0.0	200.0	200.0
FY2006 Governor	**0.0**	**0.0**	**5,865.5**	**5,865.5**

Permanent Fund Dividend Division
Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2005 Management Plan	**FY2006 Governor**	Annual Salaries	2,722,643
Full-time	62	62	COLA	40,169
Part-time	29	29	Premium Pay	5,538
Nonpermanent	0	0	Annual Benefits	1,527,385
			Less 7.89% Vacancy Factor	(339,135)
			Lump Sum Premium Pay	0
Totals	**91**	**91**	**Total Personal Services**	**3,956,600**

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Tech I	0	0	2	0	2
Administrative Clerk II	0	0	24	0	24
Administrative Clerk III	6	1	18	0	25
Administrative Manager I	0	0	1	0	1
Analyst/Programmer I	0	0	1	0	1
Analyst/Programmer II	0	0	1	0	1
Analyst/Programmer III	0	0	1	0	1
Analyst/Programmer IV	0	0	2	0	2
Analyst/Programmer V	0	0	1	0	1
Chf Perm Fund Div Oper	0	0	1	0	1
Data Processing Mgr II	0	0	1	0	1
Division Director	0	0	1	0	1
Investigator II	0	0	1	0	1
Investigator III	0	0	1	0	1
Microfilm Equip Op II	0	0	1	0	1
PFD Specialist I	0	0	2	0	2
PFD Specialist II	0	0	3	0	3
PFD Technician I	1	1	13	0	15
PFD Technician II	0	0	4	0	4
PFD Unit Supervisor	1	0	2	0	3
Totals	**8**	**2**	**81**	**0**	**91**