

**Permanent Fund Dividend Payment System Replacement**

**FY2008 Request:**

**\$425,000**

**Reference No:**

**AMD42932**

**AP/AL:** Appropriation

**Project Type:** Information Systems

**Category:** Permanent Fund Dividends

**Location:** Statewide

**Contact:** Jerry Burnett

**House District:** Statewide

**Contact Phone:** (907)465-2312

**Estimated Project Dates:** 07/01/2007 - 06/30/2012

**Brief Summary and Statement of Need:**

This project will design and build a new PFD payment system to replace the original system which was developed in 1982. Computer hardware and software have evolved significantly since 1982 and demands on the payment system of changing laws and a growing population can no longer be handled by the old system. The system requires inordinate staff resources to maintain and is at risk of failure. The new system will be reliable, efficient, and will have the flexibility to handle program changes on into the future.

<b>Funding:</b>	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	Total
PFD Fund	\$425,000						\$425,000
Total:	\$425,000	\$0	\$0	\$0	\$0	\$0	\$425,000

- |   |  |   |   |                                   |
|---|--|---|---|-----------------------------------|
| <input type="checkbox"/> State Match Required | <input checked="" type="checkbox"/> One-Time Project | <input type="checkbox"/> Phased - new         | <input type="checkbox"/> Phased - underway  | <input type="checkbox"/> On-Going |
| 0% = Minimum State Match % Required           |  | <input checked="" type="checkbox"/> Amendment | <input type="checkbox"/> Mental Health Bill |                                   |

**Operating & Maintenance Costs:**

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
<b>Totals:</b>	<b>0</b>	<b>0</b>

**Additional Information / Prior Funding History:**

No prior funding has been requested.

**Project Description/Justification:**

The PFD Payment system was built in 1982 to meet the very simple requirement of producing a once a year warrant run. Through the years it has been cobbled together to handle monthly warrant runs; direct deposits; UAS College Saving Plans; garnishments; and stale dated, cancelled, and reissued checks. The system requires intensive maintenance and support, and, because of its patched together structure, leaves the program vulnerable to system failure and fraud. No part of the system meets State standards.

Further, the system cannot accommodate any additional changes. Over the past two legislative sessions, initiatives have been proposed that would require use of the PFD payment system (such as the additional payment for a fuel dividend (SB 214 and SB 215), Gas Pipeline Investment checkoff, the charitable donations (HB 496), or moving to quarterly payments (HB 186)). The division has had to tell the Legislature it cannot meet the requirements of these bills without a major rewrite of the PFD payment system.

A reliable, efficient, and flexible payment system is mission critical to the PFD program where the first priority is to pay timely dividends to eligible applicants. A new system is essential to the ability of the division to achieve all of the division's 2008 performance goals: to increase staff efficiency and effectiveness; to eliminate process bottlenecks; to reduce operational costs; to reduce fraud; to promote customer service and respect; and to prepare the division for the future.

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PFD proposes to use private sector contractors to design and build a new system that is fully integrated with the new Dividend Application Information System (DAIS III). DAIS III, currently being built by PFD staff, will be completed in the late fall of 2008 and implemented for the 2009 dividend. The new payment system could be ready shortly thereafter.

The new system will be designed for efficiency, reliability, and the flexibility to meet changing requirements over the years to come.

Project cost:	Capital:	
	Prior Years	FY 2008
General Funds		
General Fund Match		
General Fund Program Receipts		
I/A Receipts (dept. and fund source)		
Other Funds (name and fund number)		425,000
1050 PFD Fund		
Federal Funds		
Total		425,000

Hardware, software, consulting services, or other items to be purchased:

Services of a private sector contractor including

Phase I - \$250.0

PFD payment process analysis  
 Planning/requirements definition  
 System design

Phase II – \$175.0

Programming  
 System integration  
 Testing  
 Deployment  
 Documentation  
 Training

The new system will make more reliable and timely information available to the public about their dividends, and be able to accommodate new services contemplated by the legislature. The approximately \$200.0 in operating cost savings will be used to increase fraud identification and prosecution work and to add review staff so more applicants can be paid timely.

If the project is not approved:

The system will not be able to handle additional changes that may be required by state or federal law. The soonest PFD programmers could begin this project would be 2009 with a completion date of 2010 or beyond. The division will also not have the opportunity to reallocate cost savings as described above.