

State of Alaska
FY2008 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 Permanent Fund Dividend Division is to administer the Permanent Fund Dividend Program.

Core Services

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

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

Major Activities to Advance Strategies	
<ul style="list-style-type: none"> • Expand myAlaska to all applicants • Offer early payment incentives to applicants who file online, in January, and select direct deposit. • Expand functionality of on-line applicant status inquiry • Complete DAIS III, the eligibility and case management piece of the applicant data base. • Complete the new PFD payment system. • Fund a special prosecutor at the Department of Law to work on PFD criminal fraud cases. • Obtain access to FBI databases, NCIS and NLETS 	<ul style="list-style-type: none"> • Publicize prosecuted criminal activity • Continue to offer imaging services to other entities in the department • Provide standardized training to new staff • Cross train staff to work in more than one functional area • Allocate staff across unit lines to address peak workload • Emphasize customer service in division meetings, special trainings, and in staff performance evaluations

FY2008 Resources Allocated to Achieve Results							
<p>FY2008 Component Budget: \$7,281,800</p>	<p>Personnel:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Full time</td> <td style="text-align: right;">73</td> </tr> <tr> <td style="padding-left: 20px;">Part time</td> <td style="text-align: right;">17</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right; border-top: 1px solid black;">90</td> </tr> </table>	Full time	73	Part time	17	Total	90
Full time	73						
Part time	17						
Total	90						

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

Eligible Applicants Paid in October

Year	Percentage Paid
2002	93.6%
2003	93.7%
2004	94.0%
2005	96.0%
2006	98.79%

Analysis of results and challenges: The division exceeded the goal of 98% set for 2006. This can be attributed

to additional increases in on-line filing, increased use of automation in processing, cross-utilization of staff, and implementation of the new Dividend Application Information System (DAIS II).

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.

Standardized Training of Staff Within First Three Months

Year	% of Staff Trained
2004	50%
2005	100%
2006	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. All new employees were given this training in 2006.

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.

Staff Trained to Work in Other Units

Year	% of Staff
2004	75%
2005	100%
2006	Forecast: 100%

Analysis of results and challenges: All staff are cross-trained by the time they complete their probationary period.

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.

Applicants Using On-line Filing

Year	% of Applicants
2002	14.0%
2003	24.9%
2004	25.2%
2005	34.0%
2006	Forecast: 50.0%

Analysis of results and challenges: The number of PFD applicants applying online in 2005 increased by more than 53,000 over the previous dividend year. In spite of this increase, PFD missed their 2005 goal of having 40% of all applicants using online filing. The forecast for 2006 is that 50% of all PFD applicants will file online.

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 (in nominal dollars)

Cost per Application (in nominal dollars)

Fiscal Year	Cost per Application
FY 2003	\$9.73
FY 2004	\$9.42
FY 2005	\$9.39
FY 2006	\$9.77

Analysis of results and challenges: Cost savings of \$108,600 in seasonal staff in combination with cost increases in computer services, legal services, formal appeals, and overall personal services, divided by over 1,000 fewer applicants netted to an increase of \$0.35 per application relative to 2004.

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: This target was met during the 2006 dividend cycle. In preparation for the electronic linking of forms, all forms were re-designed and computer applications were re-written to utilize optical character recognition (OCR). Implementation occurred when the new Dividend Application Information System (DAIS II) came online at the beginning of the 2006 dividend cycle on January 1, 2006.

PFD is currently electronically linking the majority of PFD forms which amounts to well over 50% of all of the 1.5 million documents that are handled per year. Some documents (birth certificates, immigration papers, travel documents, etc.) cannot be electronically linked with current technology.

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

Fraud Cases Identified and Prosecuted

Year	# of Cases	% Change from Prior Year
2004	1,236	n/a
2005	1,700	37.54%
2006	Forecast: 2,000	

Analysis of results and challenges: Fraud work is tracked on a dividend year basis (calendar year). 2006 investigations and audits are underway. To date about 725 cases have been identified and prosecuted. The division should have no trouble meeting this goal.

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

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

New Audits Initiated

Year	# New Audits
2004	2
2005	2
2006	Forecast: 2

Analysis of results and challenges: Two new special audits were done in 2005: seasonal cannery employees, and a small audit of applicants who file online from out of state but claim to be in Alaska. The online applicant audit will be expanded in 2006 and a new audit will be developed of applicants who receive direct deposit and receive their bank statements 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.

Fraud Tips Investigated Prior to Payment of Current Dividend

Year	Percentage
2004	95%
2005	100%
2006	Forecast: 100%

Analysis of results and challenges: All fraud tips received by September 1 were investigated prior to payment; however some complex cases could not be resolved before the October payment of dividends.

Key Component Challenges

The PFD program is entirely dependent on computer technology to process 630,000 applications and another 1.5 million supporting documents annually. Our biggest challenges and issues are technology related.

- Maintain the 1982 vintage PFD payment system while we secure the funding for a new system, and being responsive to new initiatives that require use of the old inflexible system.
- Complete DAIS III, the new PFD eligibility and case management system.
- Communicate PFD rules and processes clearly and timely to the public.
- Develop and implement procedures to bring the division into compliance with the federal Office of Foreign Asset Control (OFAC), and perform ongoing due diligence to ensure that the division does not issue payments to individuals being sanctioned by the federal government.

Significant Changes in Results to be Delivered in FY2008

- Absent issues beyond the division's control, the projected increase in early online filing will result in completion of eligibility work through the final review stage before payment dates for the first time in the history of the program.

Major Component Accomplishments in 2006

- Payment incentives for applying online, in January, and selecting direct deposit resulted in an increase in online applications from 34% in 2005 to 57% in 2006. Savings were used to add one technician to the Fraud Section and to fund a part time special prosecutor in the Department of Law to work on fraud cases.

- Increased efforts in fraud investigations resulted in seven federal and state convictions, with four additional indictments pending for PFD fraud cases. The division increased the number of cases audited and investigated, and the amount of denials and assessments increased from \$1.6 million in 2005 to \$2.5 million in 2006.

Statutory and Regulatory Authority

AS 43.23 Permanent Fund Dividends
15 AAC 23 Alaska Permanent Fund Dividends

Contact Information
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**Permanent Fund Dividend Division
Component Financial Summary**

All dollars shown in thousands

	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	4,127.3	4,629.3	5,176.4
72000 Travel	59.8	25.5	25.5
73000 Services	1,809.9	1,827.7	2,015.7
74000 Commodities	50.4	64.2	64.2
75000 Capital Outlay	6.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	6,053.4	6,546.7	7,281.8
Funding Sources:			
1007 Inter-Agency Receipts	20.8	20.0	20.0
1050 Permanent Fund Dividend Fund	6,032.6	6,526.7	7,261.8
Funding Totals	6,053.4	6,546.7	7,281.8

Estimated Revenue Collections

Description	Master Revenue Account	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Unrestricted Revenues				
General Fund Program Receipts	51060	219.1	230.0	230.0
Unrestricted Fund	68515	44.1	45.0	45.0
Unrestricted Total		263.2	275.0	275.0
Restricted Revenues				
Interagency Receipts	51015	20.8	20.0	20.0
Restricted Total		20.8	20.0	20.0
Total Estimated Revenues		284.0	295.0	295.0

**Summary of Component Budget Changes
From FY2007 Management Plan to FY2008 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2007 Management Plan	0.0	0.0	6,546.7	6,546.7
Adjustments which will continue current level of service:				
-FY 08 Health Insurance Increases for Exempt Employees	0.0	0.0	0.2	0.2
Proposed budget increases:				
-Hearing Officer Chargeback Cost Increases	0.0	0.0	71.0	71.0
-myAlaska Online PFD Application Support Costs	0.0	0.0	70.0	70.0
-United States Postal Service Postage Rate Increase	0.0	0.0	38.0	38.0
-Retirement and Non-covered Employee Health Insurance Increases for Division of Personnel	0.0	0.0	9.0	9.0
-FY 08 Retirement Systems Rate Increases	0.0	0.0	546.9	546.9
FY2008 Governor	0.0	0.0	7,281.8	7,281.8

Permanent Fund Dividend Division Personal Services Information				
Authorized Positions			Personal Services Costs	
	<u>FY2007</u>	<u>FY2008</u>		
	<u>Management</u>	<u>Governor</u>		
	<u>Plan</u>			
Full-time	73	73	Annual Salaries	3,123,776
Part-time	17	17	Premium Pay	39,346
Nonpermanent	0	0	Annual Benefits	2,401,799
			<i>Less 6.98% Vacancy Factor</i>	(388,521)
			Lump Sum Premium Pay	0
Totals	90	90	Total Personal Services	5,176,400

Position Classification Summary					
Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Tech I	0	0	2	0	2
Administrative Clerk II	0	0	19	0	19
Administrative Clerk III	0	0	3	0	3
Administrative Manager I	0	0	1	0	1
Administrative Supervisor	0	0	1	0	1
Analyst/Programmer I	1	0	1	0	2
Analyst/Programmer III	1	0	2	0	3
Analyst/Programmer IV	0	0	1	0	1
Analyst/Programmer V	0	0	1	0	1
Data Processing Mgr II	0	0	2	0	2
Division Director	0	0	1	0	1
Investigator II	0	0	1	0	1
Investigator IV	0	0	1	0	1
Microfilm/Imaging Oper I	0	0	1	0	1
Microfilm/Imaging Oper II	0	0	1	0	1
PFD Manager	0	0	1	0	1
PFD Specialist I	0	0	5	0	5
PFD Specialist II	0	0	4	0	4
PFD Technician I	6	3	8	0	17
PFD Technician II	1	0	15	0	16
PFD Technician III	0	0	4	0	4
PFD Technician IV	1	1	1	0	3
Totals	10	4	76	0	90