

Department of Revenue
FY25 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
1	Taxation and Treasury / Tax Division	Tax Revenue Management System Anticipated Contract Cost Increases	\$1,037.7 Gen Fund (UGF) Inc	\$1,000.0 Gen Fund (UGF) Inc	<p>The Tax Revenue Management System (TRMS) is the Department of Revenue's (DOR) online taxpayer portal and tax administration system. TRMS is an off-the-shelf software that was customized to accommodate the specifics of Alaska's tax code. DOR's contract for continuing support expired on December 31, 2023, but FAST Enterprises agreed to extend the contract on the same terms through June 30, 2024. The contract allows for updates to align with any changes to state laws and regulations, in addition to maintenance of existing functions. The existing terms include a minimum of two on-site contractors.</p> <p>This Increment would fund the anticipated cost increases for a new contract with FAST Enterprises, the original developer. DOR is negotiating the new contract for a ten-year period with a flat-rate cost structure. The expiring contract was \$1,650.0 annually. DOR estimates the new contract's annual cost could increase by a maximum of \$1,037.7, with the annual cost remaining flat for the ten-year period. The legislature provided partial funding of \$1,000.0.</p>
2	Various	Reallocate FY2023 Rate Adjustment and Correct Fund Sources	Net Zero	Net Zero	<p>The Legislature appropriated unallocated Rate Adjustments in FY23, to match changing statewide core service rates charged by the Department of Administration (DOA). This includes charges from Division of Personnel, Division of Finance, Office of Information Technology, and Shared Services of Alaska. The FY23 Rate Adjustments were centralized in the Administrative Services allocation, which doesn't align with how each allocation in DOR pays the rate, or the fund sources available.</p> <p>These adjustments distribute a total of \$353.5 out of Administrative Services and allocate the funding based on the actual rate methodologies for assigning costs across allocations. The total changes net to a \$0.2 increase, with the following changes by fund group: \$154.8 UGF; (\$10.6) Designated General Funds; (\$147.1) Other state funds; and \$3.1 Federal receipts.</p>

Department of Revenue
FY25 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
3	Taxation and Treasury / Alaska Retirement Management Board	Add Previously Unbudgeted Costs for FY2023 Exempt 5% COLA for Treasury Division	Total: \$235.9 \$111.0 Group Ben (Other) \$78.3 PERS Trust (Other) \$43.0 Teach Ret (Other) \$1.5 Jud Retire (Other) \$2.1 Nat Guard (Other) Inc	Total: \$235.9 \$111.0 Group Ben (Other) \$78.3 PERS Trust (Other) \$43.0 Teach Ret (Other) \$1.5 Jud Retire (Other) \$2.1 Nat Guard (Other) Inc	Ch. 50, SLA 2022 provided 5% cost-of-living adjustments to certain exempt employees. The corresponding FY23 increment added \$235.9 of Interagency (I/A) receipt authority to the Treasury Division's budget, allowing the Treasury Division to bill the Alaska Retirement Management Board (ARMB) for its portion of the expenses. However, ARMB was not provided with additional funding, so costs were absorbed in FY23 and FY24, which DOR states is unsustainable. This Increment adds ARMB's portion of the expenses to the budget. Fiscal Analyst Comment: Ch. 5, SLA 2024, provides cost-of-living adjustments for exempt staff beginning FY25. The Fiscal Note adds \$466.6 I/A to the Treasury Division's budget without providing ARMB with corresponding funding Increments, so ARMB may require additional expenditure authority in the future.
4	Taxation and Treasury / Permanent Fund Dividend Division	Permanent Fund Dividend Division Increases	\$222.0 PFD Fund (Other) Inc	\$222.0 PFD Fund (Other) Inc	The FY25 Enacted budget for the Permanent Fund Dividend Division includes the following Increments totaling \$222.0: 1) \$90.0 for Department of Law contracting due to increased dividend fraud prosecution and application appeals adjudications through the Office of Administrative Hearings. 2) \$70.0 for postage costs due to increasing federal postage rates and increased mailings to Alaskans opting out of online multi-factor authentication. 3) \$52.7 to replace 25% of workstations annually on a rotating basis. This was formerly funded in the capital budget, but all remaining capital funds were expended in FY23. 4) \$10.0 for increased costs in renewing a call center contract shared with Child Support Enforcement Division (CSED). The remaining \$40.0 of the \$50.0 cost increase will be paid by CSED.

Department of Revenue
FY25 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
5	Child Support Enforcement Division / Child Support Enforcement Division	Replace Estimated Reduction of Federal Funds for Child Support Enforcement	Net Zero (\$292.0) Fed Rcpts (Fed) \$292.0 Gen Fund (UGF) FndChg	Net Zero (\$292.0) Fed Rcpts (Fed) \$292.0 Gen Fund (UGF) FndChg	CSED activities on behalf of certain children in Office of Children Services care are not eligible for federal reimbursement. The percentage of cases ineligible for federal reimbursement has increased, and CSED has absorbed the cost increases in recent years due to high vacancy rates. CSED projects a lower vacancy rate in FY25, which they anticipate will reduce their ability to continue absorbing the increased costs.
6	Child Support Enforcement Division / Child Support Enforcement Division	Implement Results from the Child Support Enforcement Specialist Class Study	Total: \$1,275.4 \$822.5 Fed Rcpts (Fed) \$433.6 GF/Match (UGF) \$19.3 Gen Fund (UGF) Inc	Total: \$1,275.4 \$822.5 Fed Rcpts (Fed) \$433.6 GF/Match (UGF) \$19.3 Gen Fund (UGF) Inc	Based on a December 2023 Division of Personnel and Labor Relations classification study, Child Support Enforcement Specialist positions all received an increase of two salary ranges. This Increment funds the results of the classification study. A related FY24 Supplemental of \$409.7 UGF was included in the Enacted budget. The Governor requested a \$594.7 Supplemental, but the legislature reduced the amount by \$190.0 to account for projected lapsing funds.
7	Administration and Support / Commissioner's Office	Add Funding for Existing Deputy Commissioner, Special Assistant, and Temporary Policy Analyst Positions	\$456.7 I/A Rcpts (Other) Inc	\$456.7 I/A Rcpts (Other) Inc	The Commissioner's Office created three positions in FY23, though the positions were not added to the budget until FY24 Management Plan: Full-time Deputy Commissioner located in Anchorage; Full-time Special Assistant to the Commissioner 2 located in Anchorage; and Non-permanent Policy Analyst located in Anchorage, expires December 1, 2026. The Increment adds Interagency receipt (I/A) authority for these positions. I/A is used to bill other divisions, which have to absorb the increased costs. An existing Deputy Commissioner position is removed in the FY25 budget, leaving only the single Deputy Commissioner position added in FY23. The Increment accounts for cost savings resulting from the position deletion. \$65.0 of the increment is for increased travel expenses.

Department of Revenue
FY25 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
8	Administration and Support / Administrative Services	Fund FY2024 Transfer of Four Helpdesk Positions and Additional IT Manager Position	Total: \$691.6 \$192.4 Gen Fund (UGF) \$499.2 I/A Repts (Other) 1 PFT Position Inc	Total: \$691.6 \$192.4 Gen Fund (UGF) \$499.2 I/A Repts (Other) 1 PFT Position Inc	The FY24 Enacted budget transferred four helpdesk positions from DOA, without any corresponding authority. \$499.2 of Interagency receipt authority is added, since the divisions within DOR are now paying Administrative Services instead of DOA for helpdesk support. The FY25 Enacted budget adds \$192.4 UGF for a full-time Data Processing Manager 3 , located in Juneau. This position will manage the four transferred helpdesk positions and oversee IT functions across the Department.
9	Alaska Mental Health Trust Authority / Long Term Care Ombudsman Office	Add Long-Term Care Ombudsman Position	n/a	Net Zero	Vetoed Legislative Addition: The Mental Health Trust's FY25 budget included a base Increment of \$133.5 of General Fund / Mental Health (GF/MH) for a new long-term care ombudsman. The item was not included in the Governor's FY25 budget proposal. The legislature added \$133.5 GF/MH and one permanent full-time position, but the Governor vetoed the funding and position.
10	Alaska Housing Finance Corporation / AHFC Operations	MH Trust: Add Authority for Existing Department of Corrections Discharge Incentive Grant Program	Total: \$300.0 \$200.0 GF/MH (UGF) \$100.0 MHTAAR (Other) IncOTI	Total: \$300.0 \$200.0 GF/MH (UGF) \$100.0 MHTAAR (Other) IncOTI	AHFC's base budget includes a \$100.0 FY16 - FY25 Temporary Increment using Mental Health Trust Authority Authorized Receipts (MHTAAR). The FY25 Enacted budget includes an additional \$300.0 in one-time funding. This increases funding available for housing, supervision, and support services for beneficiaries transitioning out of incarceration.
11	Various	Move Alaska Permanent Fund from Single Appropriation to Two Appropriation Structure	n/a	n/a	Partially Vetoed Legislative Item: Prior to FY25, the Alaska Permanent Fund Corporation (APFC) was a single appropriation. The legislature moved the APFC Investment Management Fees allocation to a separate appropriation and renamed the APFC appropriation to APFC Juneau Operations. The legislature also created a separate APFC Anchorage Operations appropriation, which exclusively included a \$0.1 One-Time Increment to decommission the Anchorage office. The Governor vetoed the APFC Anchorage Operations appropriation, including the \$0.1 funding.

Department of Revenue
FY25 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
12	Alaska Permanent Fund Corporation Investment Management Fees / Alaska Permanent Fund Corporation Investment Management Fees	Management Fees for Alternative Investments and Reconciliation and Tax Advisory Services	\$2,800.0 PF Gross (Other) Inc	\$2,800.0 PF Gross (Other) Inc	<p>Investment fees are estimated based on fund value projections and performance. APFC historically requests sufficient authority to ensure that it can meet its obligations to external parties in a range of market outcomes. \$2,600.0 of the Increment is for increased fees in alternative investments, which include private equity, special opportunities, private infrastructure, private credit, private income, and absolute return. APFC is expanding its alternative investment portfolio, where fees are typically based on committed capital. Anticipated fees in all other investment categories are unchanged from FY24.</p> <p>The remaining \$200.0 of the Increment is for increased reconciliation services and tax advisory services for international markets.</p>
13	Alaska Permanent Fund Corporation Juneau Office Operations / Alaska Permanent Fund Corporation Juneau Office Operations	Fund Salary Merit Increase and Corresponding Benefit Costs	\$920.0 PF Gross (Other) Inc	\$306.7 PF Gross (Other) Inc	<p>The FY25 Governor request included \$920.0 to make staff eligible for 6% merit increases. The legislature funded \$306.7 for a 2% merit increase.</p> <p>Merit increases will be distributed at managers' discretion based on performance, so some employees may receive more than 2%, while other employees may receive less than 2% or zero. The intention is to aid recruitment and retention.</p> <p>Fiscal Analyst Comment: APFC's FY23 budget included a \$438.4 Increment to fund 3% merit increases for operational staff, and 4% for investment staff. APFC staff were also included in Ch. 50, SLA 2022, which provided 5% cost-of-living adjustments to exempt employees beginning in FY23. APFC's FY24 budget included a \$1,410.5 Increment for merit increases and targeted pay increases for certain positions APFC finds to be paid significantly below market rates.</p> <p>Ch. 5, SLA 2024 provides \$1,459.7 to fund 8.38% cost-of-living adjustments for APFC staff beginning in FY25.</p>

Department of Revenue
FY25 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
14	Alaska Permanent Fund Corporation Juneau Office Operations / Alaska Permanent Fund Corporation Juneau Office Operations	Increase Incentive Compensation for Investment and Operations Staff	\$915.0 PF Gross (Other) Inc	\$445.0 PF Gross (Other) Inc	<p>The Governor's FY25 request included \$470.0 to increase the maximum possible incentive compensation for investment staff, and \$445.0 to expand the program to operations staff, who received no incentive compensation prior to FY25.</p> <p>The legislature denied the \$470.0 for investment staff, so maximum incentive compensation for investment staff remains at \$2,800.0, unchanged from FY24. The legislature accepted the \$445.0 to establish incentive compensation for operations staff.</p> <p>This funding represents the maximum possible payments, as bonuses are only paid based on performance relative to benchmarks. If the calculated distribution exceeds the program's available funds, bonuses will be prorated. If the calculated distribution is less than the amounts appropriated, the undistributed portion will remain in the Earnings Reserve Account.</p> <p>Under APFC's Incentive Compensation Plan adopted in December 2022, maximum bonuses as a percentage of salary range from 5% to 15% for operations staff, and from 25% to 50% for investment staff.</p>
15	Alaska Permanent Fund Corporation Juneau Office Operations / Alaska Permanent Fund Corporation Juneau Office Operations	Facility Rent, Training, Communications, and Advisory Support	\$206.1 PF Gross (Other) Inc	\$130.8 PF Gross (Other) Inc	<p>The Governor's FY25 proposed budget included the following changes to contractual services, leading to a net increase of \$206.1:</p> <ol style="list-style-type: none"> 1) \$56.0 to align with FY23 actual consulting costs. 2) \$20.0 for an audit committee advisor. 3) \$17.0 for contractual cost increases for annual third-party audit. 4) \$3.5 for increased number of Board of Trustees meetings. 5) \$17.3 to increase training opportunities for Board of Trustees. 6) (\$150.0) reduction to reflect FY24 completion of fire suppression system replacement in the Juneau data center. 7) \$25.0 for Anchorage office technology support. 8) (\$2.0) reduction to recruitment costs due to lower anticipated vacancies. 9) \$50.0 for Juneau office rent cost increases. 10) (\$15.8) reduction to align office support costs with FY23 actuals.

Department of Revenue
FY25 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
15	Alaska Permanent Fund Corporation Juneau Office Operations / Alaska Permanent Fund Corporation Juneau Office Operations	Facility Rent, Training, Communications, and Advisory Support	\$206.1 PF Gross (Other) Inc	\$130.8 PF Gross (Other) Inc	(continued) 11) \$150.0 for a global communications contractor. The aim is to increase APFC's visibility in hopes of aiding talent recruitment and access to investment opportunities. 12) \$35.0 for previously unbudgeted Anchorage office rent costs. 13) \$25.0 for Anchorage office technology support. The legislature denied funding for sub-items 12 and 13. In addition, the legislature removed \$15.3 in Board Honoraria.
16	Alaska Permanent Fund Corporation Juneau Office Operations / Alaska Permanent Fund Corporation Juneau Office Operations	Increased Facilities, Commodities, and Travel Costs	\$300.0 PF Gross (Other) Inc	\$55.0 PF Gross (Other) Inc	The FY25 Enacted budget includes the following items: 1) The Governor's FY25 request included \$100.0 for increased travel, approximately \$70.0 of which was intended for travel between Juneau and Anchorage offices. The legislature rejected the Increment and reduced travel funding by an additional \$100.0. 2) The Governor's FY25 request included \$50.0 for office furniture and equipment, approximately \$45.0 of which was intended for the Anchorage office. The legislature funded \$5.0 of the Increment. 3) \$150.0 to relocate APFC's disaster recovery data center site from Fairbanks to Anchorage.