



# State of Alaska Department of Revenue Budget Overview

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Randall J. Hoffbeck  
Commissioner  
Alaska Department of Revenue



# Alaska Department of Revenue

The Department of Revenue mission is to collect, distribute and invest funds for public purposes

## Core Programs

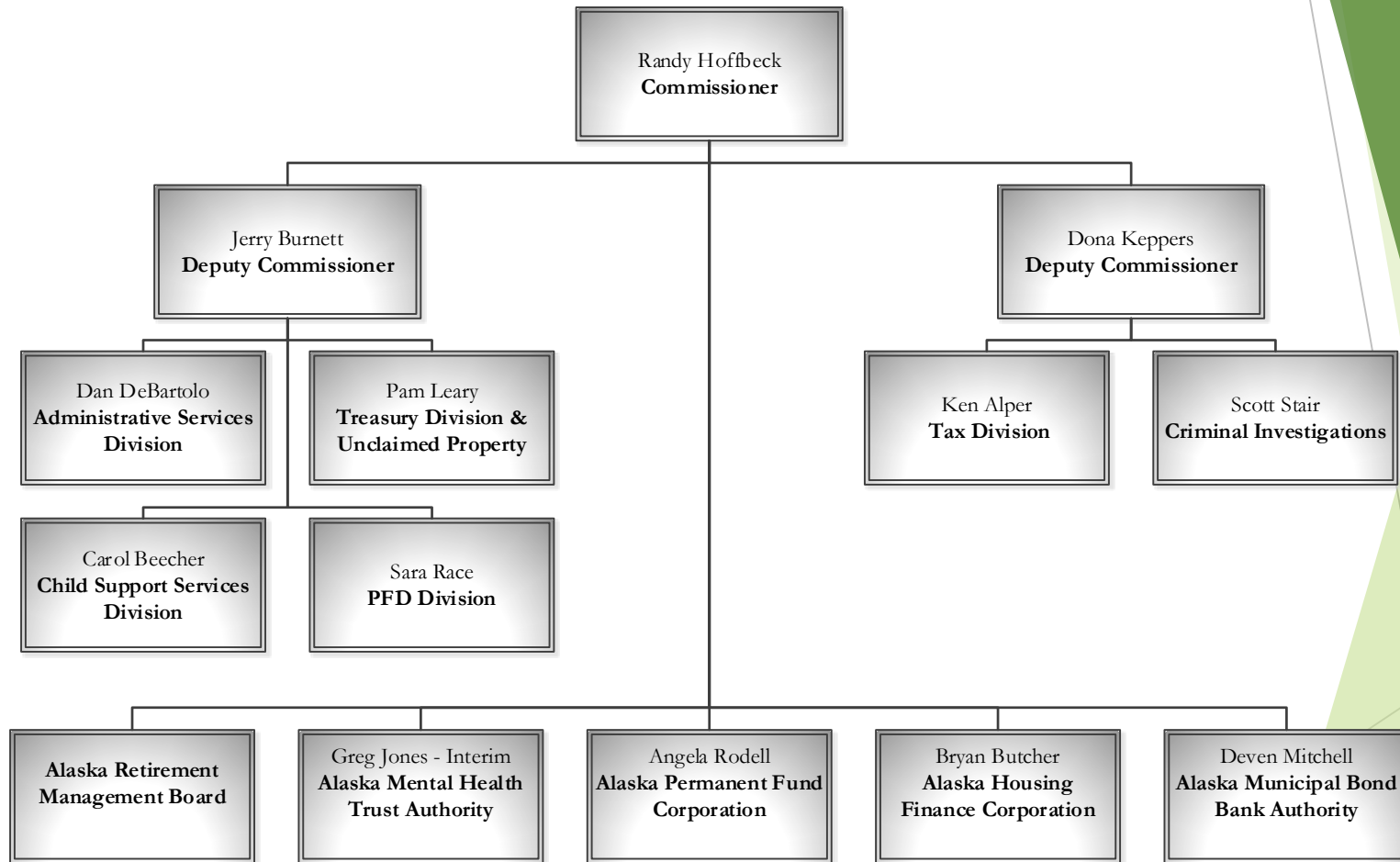
- Treasury Division
- Tax Division
- Permanent Fund Dividend Division
- Child Support Services Division

## Authorities, Corporations, and Boards

- Alaska Housing Finance Corporation (AHFC)
- Alaska Permanent Fund Corporation (APFC)
- Alaska Retirement Management Board (ARMB)
- Alaska Mental Health Trust Authority (AMHTA)
- Alaska Municipal Bond Bank Authority (AMBBA)

# Alaska Department of Revenue

Department of Revenue's mission is to collect, distribute and invest funds for public purposes



# Alaska Department of Revenue

## 2016 Performance Snapshot

### Treasury Division

- All 28 non-retirement funds managed by the Treasury Division met or exceeded the benchmark returns, including the General Fund and Other Non-segregated Investments (GeFONSI) and Constitutional Budget Reserve Fund.
- 263.1 million of General Obligation Bonds were issued to fund \$314.1 million of projects authorized by the 2012 Transportation Bond Act.
- \$175.9 million of State Revenue Bonds for the Alaska International Airport System were issued raising \$205.1 million to refinance \$258.3 million of bonds. The bond issues saved \$17.1 million and reduced annual debt service by \$16 to \$22 million per year for each of the next 11 years.
- Engaged in refinancing \$59.3 million of general fund paid debt related to Goose Creek Correctional Center. Savings of \$6.7 million realized upon bonds being issued.

### Unclaimed Property

- \$12.0 million was transferred into the state general fund for FY2016 collections in excess of refunds. Since the inception of the program in 1986, a total of \$116 million has been transferred to the state general fund from the Unclaimed Property Trust account.

# Alaska Department of Revenue

## 2016 Performance Snapshot

### Alaska Retirement Management Board (ARMB)

- Public Employee Retirement System (PERS) and Teacher Retirement System (TRS) defined benefit retirement plans' 3-year and 5-year returns exceeded their benchmarks, despite missing 2016 benchmarks.
- In 2016, state investment officers began investing more equity investments directly, reducing fees paid to external investment managers in 2016 by \$4.5 million.

### Alaska Municipal Bond Bank Authority (AMBBA)

- \$233.0 million in bonds were issued by the Bond Bank that generated \$256.9 million in funding to borrowers for new projects or refinance. Borrowers achieved savings of approximately \$75.3 million through 16 loan agreements with 8 authorized borrowers, including the University of Alaska Fairbanks for its heat and power plant project, and a refinancing for a Regional Health Organization.

# Alaska Department of Revenue

## 2016 Performance Snapshot

### Tax Division

- Successfully rolled out Fish taxes, Electric and Telephone Cooperatives, and Charitable Gaming into our Tax Revenue Management System (TRMS) in February 2016. We also provided the Department of Law with online Charitable registration capability through TRMS that went live in July 2016.
- Supported Governor's 2016 fiscal plan and revenue bill efforts with extensive analysis and testimony.
- Created a secure location and method for marijuana taxpayers to make payments in cash. Considering costs, the Division created a unique method for payments that would have the least impact on Division resources. No positions were added for this effort, and costs were less than 2% of what it cost other states to prepare for marijuana tax cash collection efforts.
- The Tax Division collected \$723,262,708 in FY16 from all activities.

# Alaska Department of Revenue

## 2016 Performance Snapshot

### Permanent Fund Dividend Division

- Thanks to a re-structuring in the method of PFD case distribution, the division was able to determine 99.64% of the applications by December 31st, 2016. This is the second highest percentage of case closures in the past 9 years. The division began 2017 with only 3,432 cases from the prior year.
- Reduction of paper within PFDD has been tackled by an increase in online services. This past year, the division added fully online processes for two of their most used forms (Change of Address and Direct Deposit) These can now be filled out, and signed, electronically. This has significantly reduced printing, paper handling, and data entry within their Initial Processing Section.
- In early 2017, the division will procure a contractor to assist in writing an RFP for replatforming their applicant database management system (DAIS). This project has provided management an opportunity to dissect the inner workings of the division, and they have identified and updated processes that are now more efficient.



# Alaska Department of Revenue

## 2016 Performance Snapshot

### Alaska Permanent Fund Corporation

- Over the last five years, active management increased the Fund's value by \$3 billion over what would have been provided by a passive portfolio.
- During the same period, the APFC successfully reduced external management fees by 30 percent through negotiations and increasing internal management.
- The Fund's total rate of return for the 10-year period ended June 30, 2016 was 5.4 percent, slightly higher than the benchmark return of 5.2 percent.

### Alaska Housing Finance Corporation

- AHFC's public housing is leading the nation in work requirements for families who are able to work. Three years into Rent Reform, families are earning more, reducing the federal subsidy required for them to live in subsidized housing. This allows for AHFC to serve even more families in need, and it has been reported that there is less pressure for programs like TANF.
- AHFC is participating in Governor Walker's Great Alaska Energy Challenge. The energy department has deployed monitoring technology that tracks use and monitors consumption in several AHFC buildings, decreasing the amount of the energy resource required.
- AHFC's technology department developed contracting software that better supports the needs of the corporation while also eliminating costly outdated software.



# Alaska Department of Revenue

## Summary of UGF and Position Reductions - FY15 Management Plan to FY18 Governor

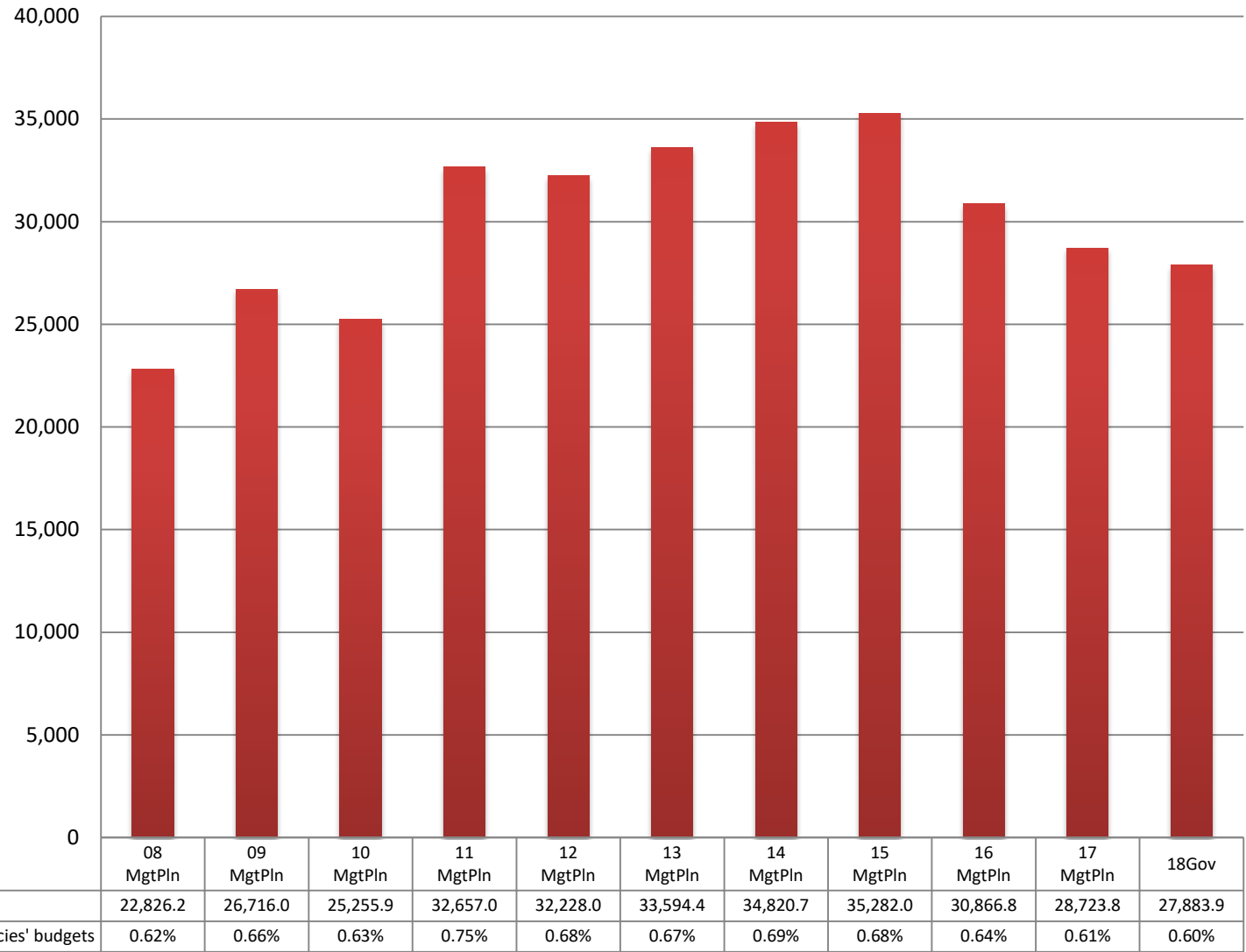
- Since the start of FY15, the Department has reduced **\$7.4 million (-20.9%)** in GF spending. The Tax Division has felt the greatest impact as **\$3.2 million (20.0%)** of its total budget has been reduced during that period.
- The Treasury Division reduced **\$2.3 million (39.4%)** in UGF spending primarily due to management fee reductions and cost allocation changes.
- The Child Support Services Division reduced **\$1.8 million (16.6%)** in UGF spending via staff reductions and programmatic changes.
- During this period the Department will have eliminated **80** positions:

Tax - **32**   Child Support - **29**   AHFC - **3**   Treasury - **5**   PFD - **4**  
Admin Services - **2**   Commissioner - **4**   Criminal Investigations - **1**



# Department of Revenue Share of Total Agency Operations

(GF Only)  
(\$ Thousands)



The GF budget grew by \$5.1 million between FY08 and the FY18 Governor's Request - an average annual growth rate of 2%.

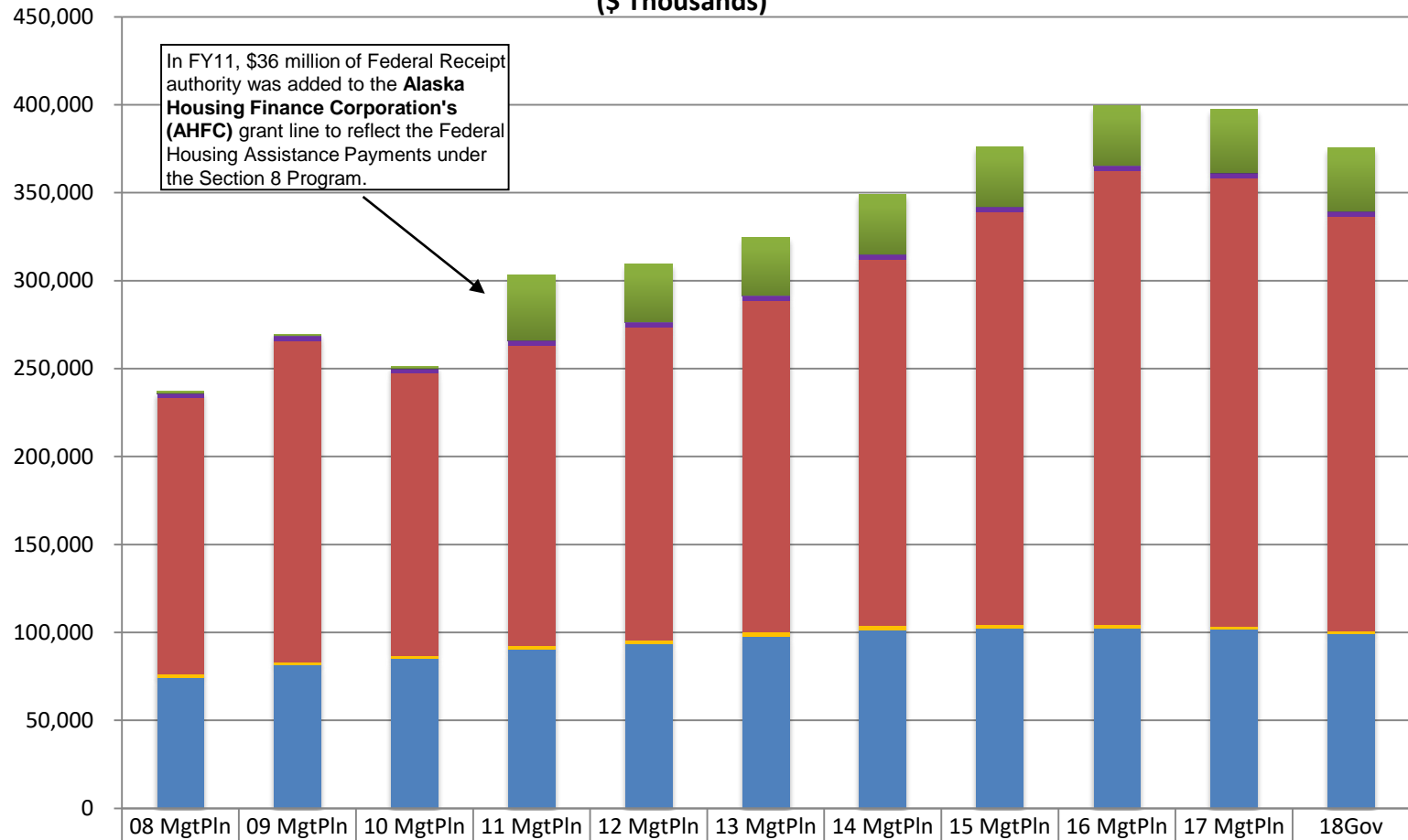
This equates to \$83 per resident worker.\*

\* Per the most recent available workforce data from the Department of Labor, there were 334,628 resident workers in Alaska in 2014.



# Department of Revenue Line Items

(All Funds)  
(\$ Thousands)



■ Grants, Benefits	830.0	930.0	885.0	36,830.0	32,800.0	32,800.0	33,800.0	33,800.0	33,800.0	35,800.0	35,900.0
■ Capital Outlay	400.3	407.4	489.8	579.8	331.0	396.0	455.0	446.0	468.0	540.9	452.9
■ Commodities	2,386.2	2,611.5	2,502.0	2,593.7	2,548.5	2,579.9	2,824.7	2,739.5	2,702.5	2,681.2	2,594.8
■ Services	157,183.7	182,455.3	160,407.4	170,783.1	177,849.1	188,661.9	208,040.9	234,770.2	257,648.4	254,993.6	235,718.4
■ Travel	1,618.1	1,891.2	2,046.9	2,097.8	2,170.3	2,210.5	2,330.8	2,215.9	2,256.8	1,946.8	1,732.8
■ Personal Services	74,532.7	81,357.8	84,811.9	90,343.9	93,506.9	97,744.4	101,513.5	102,079.3	102,417.4	101,542.7	99,163.8

# Appropriations within the Department of Revenue

(GF Only)  
(\$ Thousands)

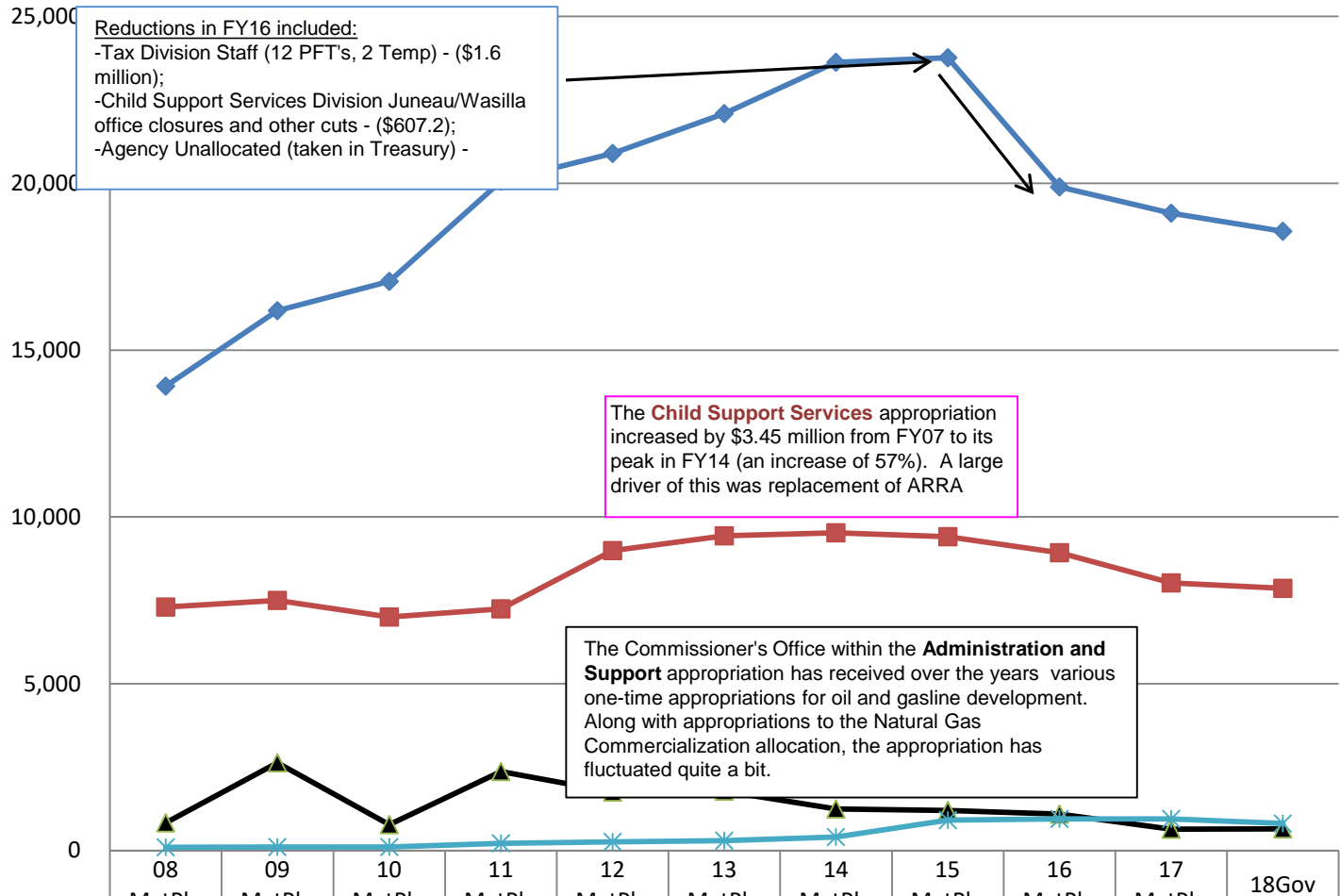
The **Taxation and Treasury** appropriation increased \$12.5 million from FY08 to its peak in FY15 (an increase of 55%). Significant reductions were made in FY16 totaling \$3.9 million (see box to right).

Significant increases FY08-15 include:  
FY09/10 Audit Masters Positions- \$800.0;  
FY11 Commercial Analysts Positions- \$400.0;  
FY11 CBR Mgmt Fees Changed to GF -\$2.1 million;  
FY12-14 Additional CBR Mgmt Fees \$1.1 million;  
FY14 Audit Master/O&G Auditor-\$279.0;  
FY14 Film Office Positions-\$198.0;

Reductions in FY16 included:  
-Tax Division Staff (12 PFT's, 2 Temp) - (\$1.6 million);  
-Child Support Services Division Juneau/Wasilla office closures and other cuts - (\$607.2);  
-Agency Unallocated (taken in Treasury) -

The **Child Support Services** appropriation increased by \$3.45 million from FY07 to its peak in FY14 (an increase of 57%). A large driver of this was replacement of ARRA

The Commissioner's Office within the **Administration and Support** appropriation has received over the years various one-time appropriations for oil and gasline development. Along with appropriations to the Natural Gas Commercialization allocation, the appropriation has fluctuated quite a bit.



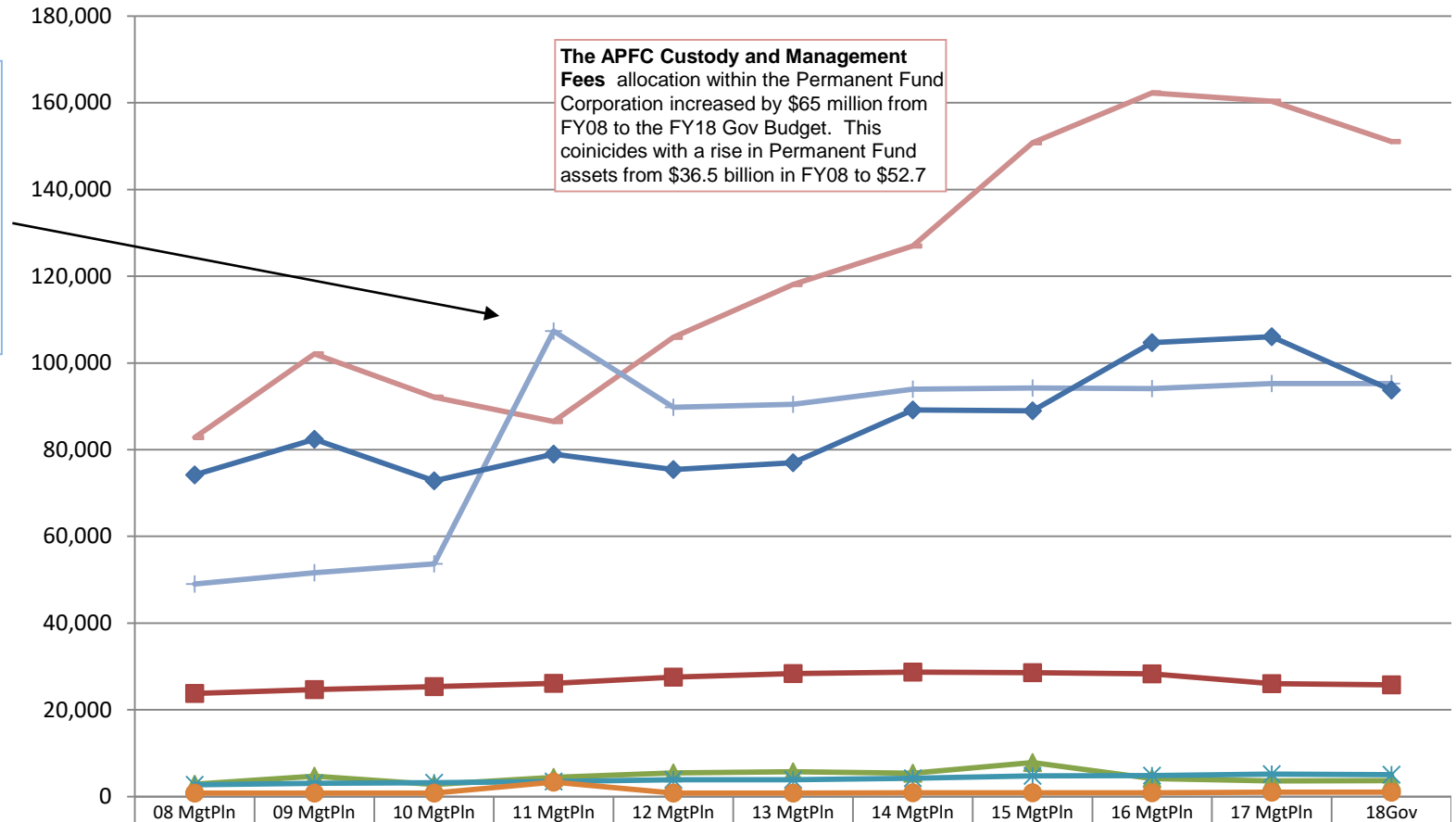
◆ Taxation and Treasury	13,916.0	16,177.1	17,055.4	20,061.6	20,894.1	22,081.8	23,627.6	23,759.6	19,887.6	19,100.6	18,559.7
■ Child Support Services	7,300.4	7,497.5	7,000.1	7,243.0	8,989.8	9,432.4	9,528.4	9,407.7	8,931.7	8,021.2	7,857.8
▲ Administration and Support	828.8	2,629.1	778.2	2,369.6	1,758.3	1,781.4	1,253.8	1,203.2	1,093.3	647.8	653.1
* Mental Health Trust Authority	103.4	107.0	110.1	220.9	265.9	298.8	410.9	911.5	954.2	954.2	813.3

# Appropriations within the Department of Revenue

(All Funds)  
(\$ Thousands)

From FY10 to FY11  
**AHFC's** authorization  
increased by \$38.1  
million.  
\$36 million in Federal  
Receipt authority was  
added to the budget to  
reflect Federal  
Housing Assistance  
Payments under the  
Section 8 Program in  
the budget.

**The APFC Custody and Management  
Fees** allocation within the Permanent Fund  
Corporation increased by \$65 million from  
FY08 to the FY18 Gov Budget. This  
coincides with a rise in Permanent Fund  
assets from \$36.5 billion in FY08 to \$52.7



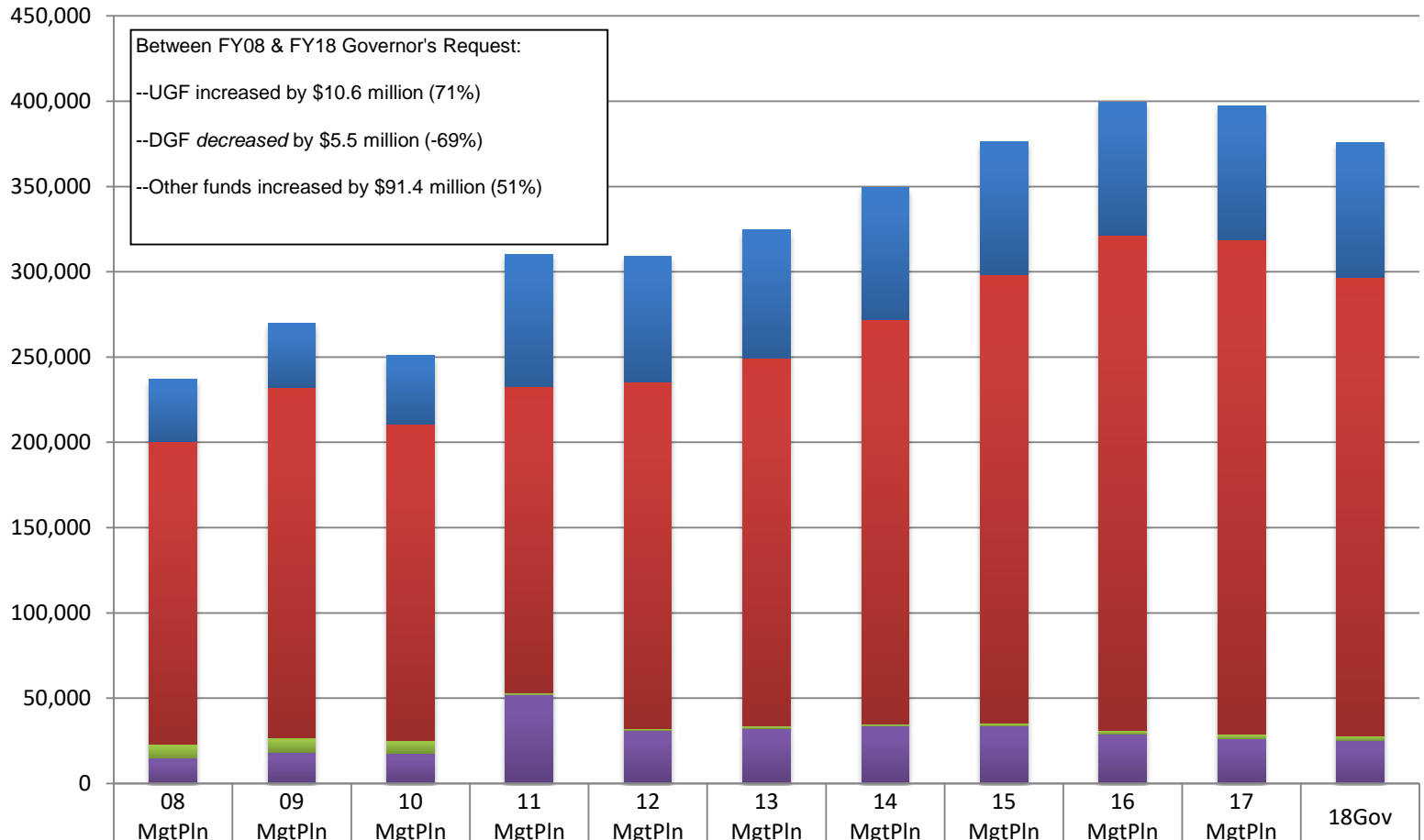
AK Permanent Fund Corporation	82,793.2	102,063.1	92,122.1	86,482.7	105,939.0	118,086.1	126,995.2	150,806.9	162,254.8	160,359.4	151,023.6
AK Housing Finance Corporation	49,038.3	51,628.5	53,646.2	107,342.4	89,782.3	90,483.8	93,963.5	94,256.3	94,075.7	95,239.9	95,238.9
Taxation and Treasury	74,200.5	82,392.1	72,831.2	78,948.2	75,432.9	76,985.1	89,154.2	88,953.9	104,694.3	106,061.3	93,779.1
Child Support Services	23,795.3	24,700.0	25,370.8	26,092.6	27,574.9	28,361.8	28,711.9	28,542.1	28,321.0	26,063.1	25,769.6
Administration and Support	2,879.8	4,695.1	2,824.3	4,445.0	5,463.8	5,715.0	5,414.7	7,862.4	4,192.8	3,605.3	3,667.7
Mental Health Trust Authority	2,740.4	3,043.1	3,208.2	3,460.5	3,859.0	3,922.4	4,230.2	4,783.5	4,854.8	5,171.4	5,077.5
Municipal Bond Bank Authority	825.9	826.0	828.1	3,361.4	834.0	838.5	845.2	845.8	899.7	1,004.8	1,006.3



# Department of Revenue

## Total Funding Comparison by Fund Group

(All Funds)  
(\$ Thousands)

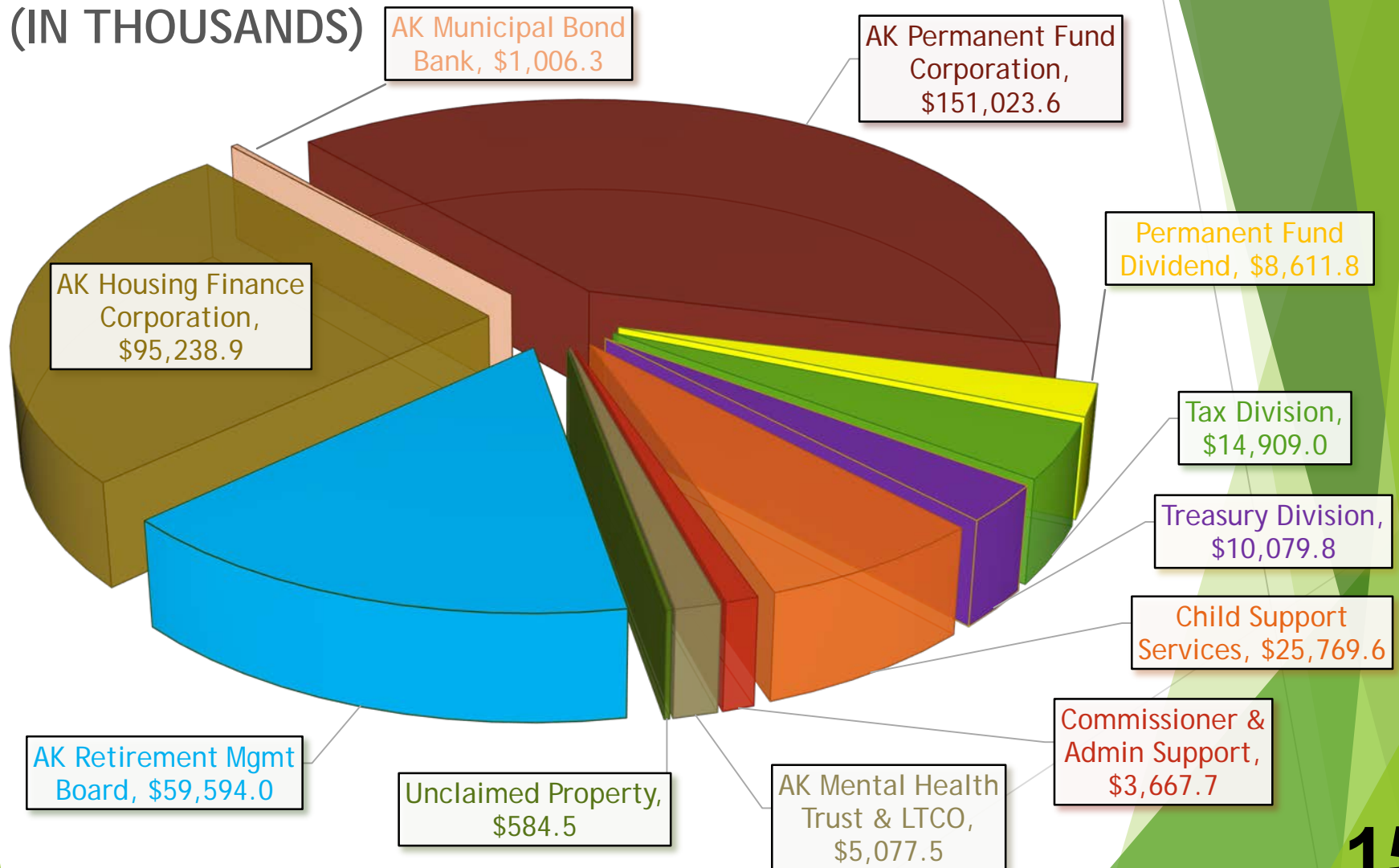


Federal Receipts (Fed)	36,479.4	37,214.4	40,349.1	77,748.5	73,935.2	74,884.2	77,542.3	77,584.4	78,130.6	78,786.9	78,665.5
Other State Funds (Other)	177,645.	205,722.	185,538.	179,632.	203,042.	215,914.	236,951.	263,184.	290,295.	289,994.	269,013.
Designated General (DGF)	7,977.8	8,385.0	7,437.1	1,151.2	1,185.7	1,285.2	1,384.6	1,450.6	1,883.8	2,622.2	2,483.5
Unrestricted General (UGF)	14,848.4	18,331.0	17,818.8	51,912.8	31,042.3	32,309.2	33,436.1	33,831.4	28,983.0	26,101.6	25,400.4

# Alaska Department of Revenue

FY18 Governor's Proposed Budget by Program - All Funds

(IN THOUSANDS)





# Alaska Department of Revenue

FY18 Governor's Budget Key Changes including FY17 Veto Items

## Key Reductions

Tax Division - (\$265.2) UGF and 3 full time positions

Treasury Division - (\$348.5) UGF Fund Source Change

- (\$25.7) and 1 full time position transferred to Shared Services

Alaska Retirement Management Board - (\$12,106.7) Management Fees

Permanent Fund Dividend Division - (\$177.9) and 1 full time / 1 part time position

Child Support Services Division - (\$1,760.3) UGF/Fed and 23 full time positions

Administration & Support- (\$442.0) and 3 full time positions

Alaska Housing Finance Corporation - (\$100.0)

Alaska Permanent Fund Corporation - (\$9,421.8) Management Fees

## Key Increment Requests - No new GF requested

Alaska Retirement Management Board - \$348.5 for Treasury Services

Administration & Support - \$445.7 I/A for Revenue Shared Services

Alaska Housing Finance Corporation - \$100.0 Mental Health Housing Grant



# Alaska Department of Revenue

FY18 Capital Budget Requests - Governor

## AHFC Capital Request - \$42.55 million

- Rental Assistance for Victims (EHP) - \$1,500,000 (Alcohol Fund)
- Housing Loan Program - \$1,750,000 (AHFC Dividends)
- Cold Climate Housing Research Center (CCHRC) - \$1,000,000 (AHFC Dividends)
- Senior Citizen Housing Development Program (SCHDP) - \$1,00,000 (AHFC Dividends)
- HUD Federal HOME Program - \$4,500,000 (3,750,000 Federal Receipts/ 750,000 AHFC Dividends)
- HUD Capital Fund Program (CFP) - \$2,500,000 (Federal Receipts)
- Federal and Other Competitive Grants - \$15,200,000 (13,700,000 Federal Receipts/1,500,000 AHFC Dividends)
- Competitive Grants for Public Housing - \$1,100,000 (750,000 Federal Receipts/350,000 AHFC Dividends)
- Supplemental Housing Development Program - \$3,000,000 (AHFC Dividends)
- AHFC Energy Programs Weatherization - \$6,450,000 (Federal Receipts)

# Thank You

Please find our contact information below:

**Randall J. Hoffbeck**  
Commissioner  
Department of Revenue  
randall.hoffbeck@alaska.gov  
(907) 465-2300

**Dan DeBartolo**  
Director, Administrative Services Division  
Department of Revenue  
daniel.debartolo@alaska.gov  
(907) 465-2312



[dor.alaska.gov](http://dor.alaska.gov)