

Department of Revenue
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Taxation and Treasury / Alaska Retirement Management Board	Contractual Cost Increases for Investment Data Services	Total: \$154.7 \$57.0 Group Ben (Other) \$60.7 PERS Trust (Other) \$30.0 Teach Ret (Other) \$7.0 Jud Retire (Other) Inc	<p>The Alaska Retirement Management Board (ARMB) has seen continually increasing subscription costs for data services providers, including Bloomberg, Moody's Analytics, Swift, and S&P Global Market Intelligence. This Increment allows ARMB to maintain the existing level of data services.</p> <p>Fiscal Analyst Comment: ARMB's FY25 budget included a \$150.0 base Increment for the same purpose.</p>
2	Taxation and Treasury / Alaska Retirement Management Board	Add Authority to Fund Interagency Receipts Added in Treasury Division for Salary Adjustments	Total: \$819.9 \$304.7 Group Ben (Other) \$338.5 PERS Trust (Other) \$164.0 Teach Ret (Other) \$12.7 Jud Retire (Other) Inc	<p>Salary Adjustments for the Treasury Division include Interagency (I/A) receipt authority, allowing the Treasury Division to bill ARMB for its portion of expenses. However, the Salary Adjustments did not provide ARMB with additional funding. Three ARMB Increments add ARMB's portion of the expenses to the budget. This includes Fiscal Note funding for provisions in Compensation for Certain State Employees (Ch. 5, SLA 2024), and salary, health insurance, and retirement adjustments in Treasury Division's FY26 Adjusted Base.</p>
3	Taxation and Treasury / Permanent Fund Dividend Division	Add Funding for Decreased Vacancy Rate	\$233.7 PFD Fund (Other) Inc	<p>The PFD Division's FY23 average vacancy rate was 19%. The Division decreased its FY24 vacancy rate to 11%, with the reductions concentrated in the second half of the fiscal year. Through November 15, 2024, the FY25-to-date vacancy rate is 4%. The Division anticipates it will maintain a lower vacancy rate in FY26 and is requesting additional personal services funding.</p> <p>The Division's FY26 budgeted vacancy factor is 6.00%, down from 6.85% in FY25.</p>
4	Various	Structure Changes to Adhere to AS 37.078.020(e)	Struct	<p>In FY25, the legislature added intent language in the Governor's Office that read:</p> <p>"It is the intent of the legislature that the budget prepared under AS 37.07.020 for the succeeding fiscal year adhere to AS 37.07.020(e) and present separately for each agency the annual facility operations, annual maintenance, and periodic repair or replacement of components of public buildings and facilities."</p> <p>The Department of Revenue's FY26 proposed budget adds four new allocations to existing appropriations with the following funding:</p>

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4	Various	Structure Changes to Adhere to AS 37.078.020(e)	Struct	<p>(continued)</p> <p>Administration and Support State Facilities Rent (\$2,216.5 I/A Increment)</p> <p>Alaska Mental Health Trust Authority Long Term Care Ombudsman Office Facilities Rent (\$32.7 I/A Increment)</p> <p>Alaska Housing Finance Corporation Facilities Operations and Maintenance (\$1,294.3 Federal receipts and \$337.1 AHFC Receipts transferred from AHFC Operations allocation)</p> <p>Alaska Permanent Fund Corporation Facilities Rent Non-State Owned (\$615.0 Permanent Fund Corporation Gross Receipts transferred from APFC Operations allocation)</p>
5	Alaska Mental Health Trust Authority / Long Term Care Ombudsman Office	MH Trust: Add Long-Term Care Ombudsman Position	\$144.0 GF/MH (UGF) 1 PFT Position Inc	<p>With Alaska's aging population, residency in long-term care facilities has steadily increased. This new position would grow the Long-Term Care Ombudsman Office (LTCOO) staff from five to six. LTCOO anticipates the position would allow for 120 additional visits to long-term care facilities and 40 additional case investigations.</p> <p>Fiscal Analyst Comment: 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.</p>
6	Alaska Housing Finance Corporation / AHFC Operations	Contractual Cost Increases for Software, Insurance, and Security Services	Total: \$1,667.0 \$1,067.0 Fed Rcpts (Fed) \$600.0 AHFC Rcpts (Other) Inc	<p>AHFC's FY26 proposed budget includes an Increment for the following services increases:</p> <p>1) \$300.0 (AHFC Corporate Receipts) for cost increases to existing software subscriptions, including technical support.</p> <p>2) \$867.0 (\$300.0 AHFC Corporate Receipts, \$567.0 Federal Receipts) for rising insurance costs at both its corporate facilities and public housing.</p> <p>3) \$500.0 (Federal Receipts) to expand security services at public housing properties.</p>

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7	Alaska Housing Finance Corporation / Alaska Sustainable Energy Corporation	Federal Receipt Authority to Support Green Bank (FY26-FY28)	\$20,000.0 Fed Repts (Fed) MultiYr	<p>Ch. 24, SLA 2024 authorized creation of the Alaska Sustainable Energy Corporation (ASEC). The bill's AHFC Operations fiscal note provided \$450.0 UGF base funding and \$20,000.0 Federal Receipts for FY25 only. The FY26 proposed budget creates a new Alaska Sustainable Energy Corporation allocation, transfers \$457.0 UGF from AHFC Operations, and adds Federal authority.</p> <p>The Federal authority will allow AHFC to apply for federal grants authorized under the 2022 Inflation Reduction Act for energy-efficiency upgrades and other projects aimed at reducing greenhouse gases.</p>
8	Alaska Permanent Fund Corporation / Various	Return Alaska Permanent Fund Corporation to Single Appropriation Structure	Struct	<p>Prior to FY25, the Alaska Permanent Fund Corporation (APFC) was a single appropriation. The FY25 Enacted budget moved the "APFC Investment Management Fees" allocation to a separate appropriation and renamed the "Alaska Permanent Fund Corporation" appropriation to "Alaska Permanent Fund Corporation Juneau Office Operations".</p> <p>The FY26 proposed budget returns APFC to a single appropriation. It also renames the appropriation to "Alaska Permanent Fund Corporation" and the "Alaska Permanent Fund Corporation Juneau Office Operations" allocation to "APFC Operations".</p> <p>Fiscal Analyst Comment: The legislature's FY25 Enrolled budget also created a separate "Alaska Permanent Fund Corporation Anchorage Office Operations" appropriation, with a \$0.1 One-Time Increment to decommission the Anchorage office. The Governor vetoed the appropriation, including the \$0.1 funding. The Anchorage office remains open.</p>
9	Alaska Permanent Fund Corporation / APFC Operations	Increase Funding for Incentive Compensation	\$810.0 PF Gross (Other) Inc	<p>The FY25 Enacted budget included \$3,245.0 for incentive compensation (\$2,800.0 for investment staff and \$445.0 for operations staff). This Increment would provide an additional \$810.0 (\$775.0 for investment staff and \$35.0 for operations staff).</p> <p>This item fully funds the maximum possible payments 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. Bonuses</p>

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9	Alaska Permanent Fund Corporation / APFC Operations	Increase Funding for Incentive Compensation	\$810.0 PF Gross (Other) Inc	<p>(continued)</p> <p>are paid based on performance relative to benchmarks. If the calculated distribution is less than the amounts appropriated, the undistributed portion will remain in the Earnings Reserve Account.</p> <p>APFC maintains that consistently fully funding incentive compensation is critical for recruitment and retention.</p> <p>Fiscal Analyst Comment: 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. The legislature denied the \$470.0 for investment staff and accepted the \$445.0 to establish incentive compensation for operations staff.</p>
10	Alaska Permanent Fund Corporation / APFC Operations	Program Receipts for Third-Party Travel Reimbursement	\$250.0 Stat Desig (Other) Inc	<p>APFC will begin using Statutory Designated Program Receipts (SDPR) to reflect travel expenses paid by third parties. Previously these amounts were not shown in APFC's budget. The added SDPR will bring APFC into compliance with the Alaska Administrative Manual's guidance on third party reimbursements (AAM 60.230). This change does not reflect an increase in expenditures.</p>
11	Alaska Permanent Fund Corporation / APFC Operations	Add a Portfolio Manager to Support the Private Income Team	\$391.6 PF Gross (Other) 1 PFT Position Inc	<p>The new Portfolio Manager position would grow the private income team to four people. Beginning July 1, 2025, the target asset allocation for private income will increase from 9% to 10% of the total Permanent Fund balance. APFC also anticipates the new position will decrease reliance on external contractors.</p> <p>Fiscal Analyst Comment: The FY26 proposed budget does not include a corresponding Decrement for reduced contractual services costs in the Investment Management allocation.</p>
12	Alaska Permanent Fund Corporation / APFC Operations	Reclassify an Investment Officer to Support the Public Equities Team	\$143.0 PF Gross (Other) Inc	<p>A vacant Investment Officer position will be reclassified to a higher paid Investment Officer (Portfolio Manager) position. APFC intends for the position to reduce reliance on external managers and increase trade volume and complexity.</p> <p>Fiscal Analyst Comment: The FY26 proposed budget does not include a corresponding Decrement for</p>

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12	Alaska Permanent Fund Corporation / APFC Operations	Reclassify an Investment Officer to Support the Public Equities Team	\$143.0 PF Gross (Other) Inc	(continued) reduced contractual services costs in the Investment Management allocation.
13	Alaska Permanent Fund Corporation / APFC Operations	Increased Services and Commodities Costs	\$510.5 PF Gross (Other) Inc	APFC's FY26 proposed budget includes the following changes to contractual services and commodities: 1) \$75.0 to increase legal support from Department of Law (DOL). Contracting with DOL allows APFC's in-house attorney to focus on investment transactions. 2) \$20.0 for a required third-party audit of APFC systems connected to the Society for Worldwide Interbank Financial Telecommunications (SWIFT), the world's primary secure financial messaging network. 3) (\$6.0) to reflect savings from truing up audit costs. 4) \$157.5 for cost increases to cloud infrastructure management and software licensing. 5) \$150.0 to fund bi-annual third party cybersecurity audit, including a review of the findings from a separate third party. 6) \$45.5 for additional funding of the three year workstation replacement schedule, as well as subscription increases resulting from reduced vacancies. 7) \$68.5 for increased training costs, primarily for the real estate team and executive staff, as well as datacenter and mobile phone costs.
14	Alaska Permanent Fund Corporation / APFC Operations	APFC Board Proposals not Included in Governor's Budget	n/a	The FY26 budget request approved by the APFC Board of Trustees included two items not included in the Governor's budget proposal: 1) \$35.0 for Anchorage office lease costs. 2) \$200.0 for increased staff and trustee travel, as well as relocation costs and non-employee travel.
15	Alaska Permanent Fund Corporation / APFC Investment Management Fees	Add Authority to Investment Systems to Meet Data and Analytics Needs	\$810.8 PF Gross (Other) Inc	APFC's Investment Management allocation includes the following increases for investment systems costs: 1) \$430.8 for shared services costs such as SWIFT access and Bloomberg terminals, due to inflationary pressures and increased staffing. 2) \$350.0 for a contractor to provide guidance on APFC's ongoing implementation of a data vault. APFC asserts that a data vault would allow for more efficient and automated data analytics. 3) \$30.0 for consulting services to ensure APFC's middle office team has the capacity to implement

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15	Alaska Permanent Fund Corporation / APFC Investment Management Fees	Add Authority to Investment Systems to Meet Data and Analytics Needs	\$810.8 PF Gross (Other) Inc	(continued) either regulatory changes or new investment strategies within the Aladdin management system.
16	Alaska Permanent Fund Corporation / APFC Investment Management Fees	Increase Authority for Investment Due Diligence	\$521.7 PF Gross (Other) Inc	APFC's Investment Management Fees allocation includes the following increases for due diligence: 1) \$300.0 to expand the scope of APFC's contract with Albourne for due diligence of private credit and real asset investments. APFC's current contract only covers private equity and hedge fund investments. 2) \$177.7 for various fiduciary advice and research resources across asset classes. 3) \$44.0 for costs of maintaining professional designations for APFC staff.