

State of Alaska FY2015 Governor's Operating Budget

Department of Revenue

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Mission

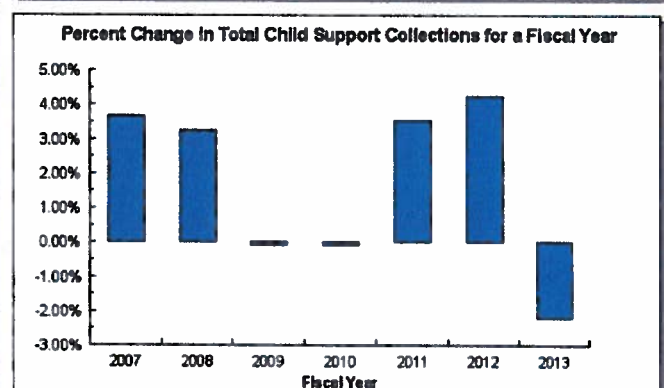
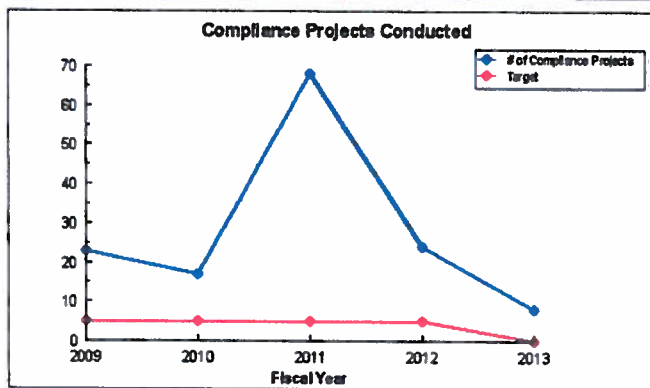
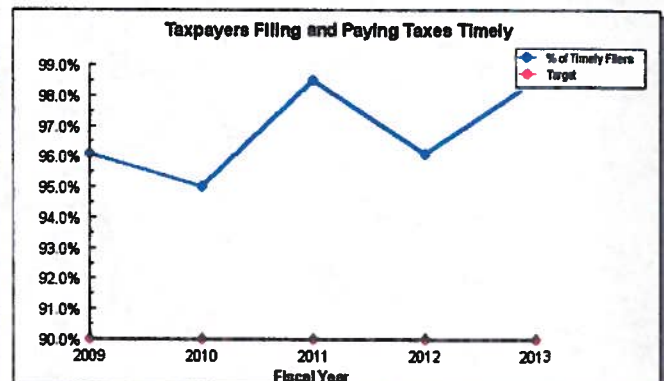
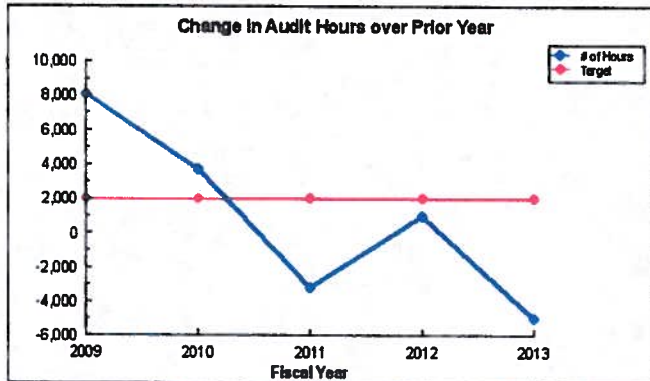
The mission of the Department of Revenue is to collect, distribute and invest funds for public purposes. Alaska Constitution Article 9; AS 25.27, AS 37, AS 43

Core Services (In priority order)	UGF	DGF	Other	Fed	Total	PFT	PPT	NP	% GF
1 Funds Collection	21,879.6	1,196.6	14,320.3	23,902.4	61,298.9	462	26	15	53.3%
2 Funds Distribution	5,291.7	8,268.8	32,693.3	57,013.5	103,267.3	302	8	1	31.3%
3 Funds Investment	5,853.9	372.7	181,081.3	-3,373.6	183,914.3	115	0	2	14.4%
4 Safety for Alaskans	410.9	0.0	423.5	0.0	834.4	7	0	-1	0.9%
FY2014 Management Plan	33,436.1	9,838.1	228,498.4	77,542.3	349,314.9	886	34	17	

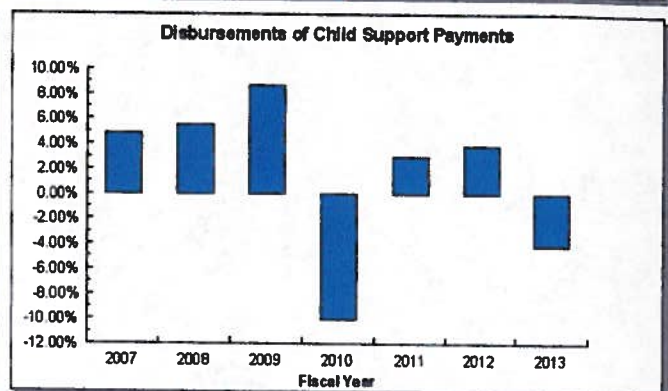
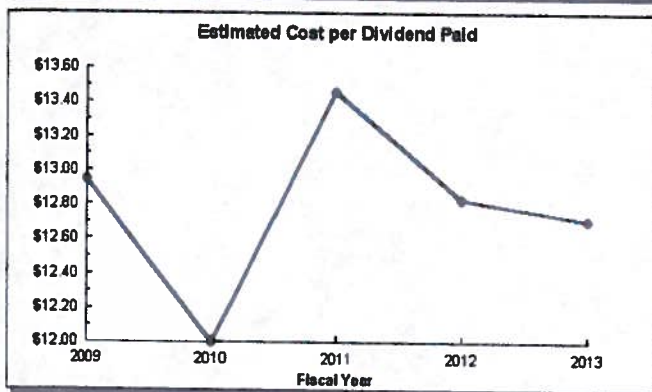
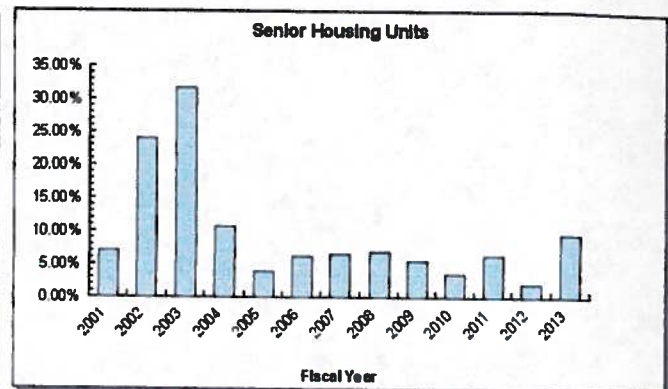
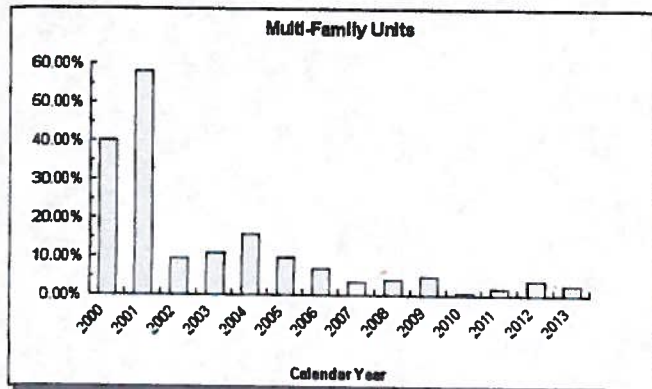
Measures by Core Service

(Additional performance information is available on the web at <https://omb.alaska.gov/results.>)

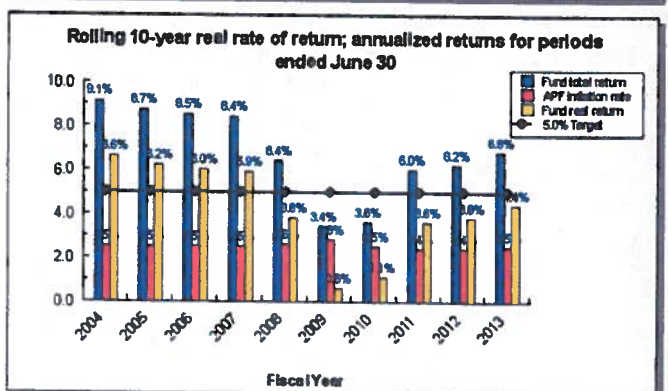
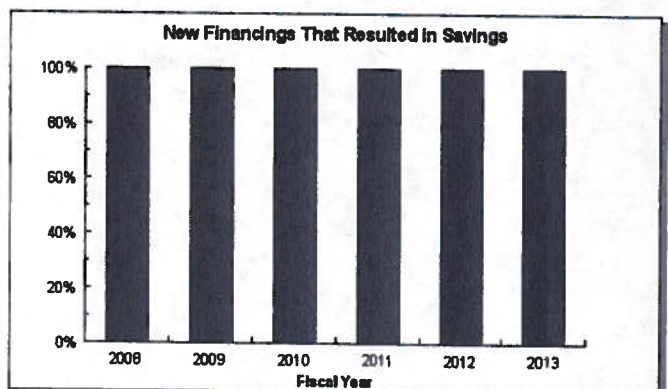
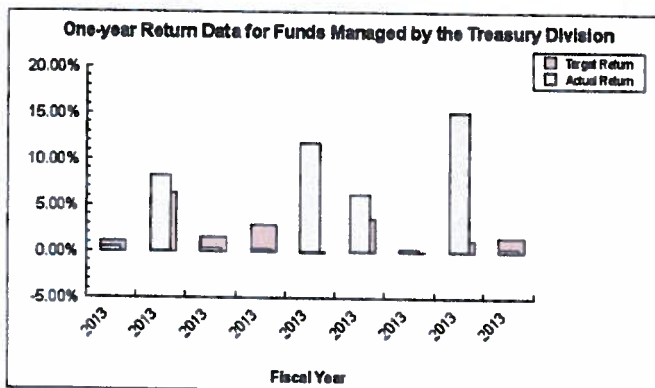
1. Funds Collection



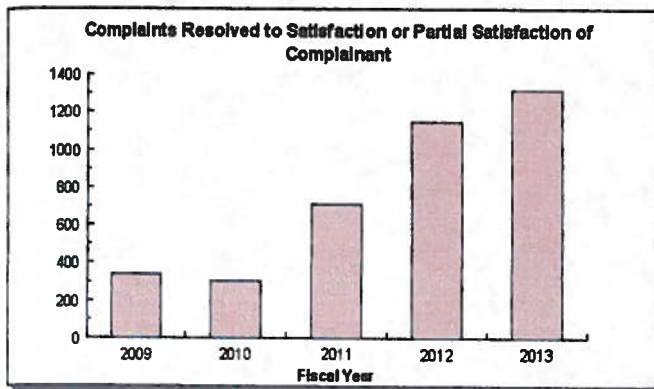
2. Funds Distribution



3. Funds Investment



4. Safety for Alaskans



Major Department Accomplishments in 2013

Funds Collection

- The Tax Division continued to work identify and standardize critical information needed from the oil and gas industry to enhance the quality of oil and gas audits and the division's ability to more accurately estimate future production tax revenues for state budgeting purposes.
- The Tax Division assessed over \$85 million in additional production tax and interest liabilities as the result of closing fifteen audits covering tax years 2002 through 2011.
- The Child Support Services Division continues to expand its outreach program for Alaska teens called "Think About It." This program educates teenagers about the economics of having a baby and the impacts of paying child support. In FY2013, the division presented this program to 48 schools located in Anchorage, Fairbanks, Bethel, Juneau, Petersburg, Kenai, and Soldotna.
- At the end of FY2013 the Criminal Investigation Unit (CIU) has had 7 Permanent Fund Dividend Division convictions effecting 92 applications. There are currently 29 cases at Office of Special Prosecutions and Appeals (OSPA) pending prosecution affecting an additional 224 more PFD applications. Through civil and criminal actions, CIU has recovered nearly \$210,000 in restitution between FY2011 and FY2013 with another \$253,000 associated with criminal cases currently pending prosecution at OSPA.

Funds Distribution

- The Tax Division distributed shared taxes and fees of over \$49 million to 127 communities throughout Alaska.
- Online child support financial statements accessible through myAlaska continue to be a success with custodial and noncustodial parents. This tool allows CSSD's clients to access financial information on their child support case online. The division is receiving very positive feedback from clients as they will no longer have to contact customer service or their caseworker or have to wait for their statement to be mailed each month.

Funds Investment

- Of the 39 non-retirement funds managed by the Treasury Division, 37 met or exceeded the benchmark returns set by the Commissioner of Revenue. Assets managed by Treasury staff totaled 48.6 billion at June 30, 2013, a total which is double that of FY2006.
- The Alaska Retirement Management Board PERS and TRS defined benefit retirement plans earned annual returns of 12.5% and 12.59%, respectively. Both plans exceeded targeted returns.

- The Fund's total rate of return for the 10-year period ended June 30, 2013 was 6.8%, slightly under the benchmark return of 7.0%.
- During 2013 the Alaska Municipal Bond Bank completed five bond issues for a total of \$153.5 million of bonds. The Bond Bank used these funds to make 17 loans to fund projects or refinance projects in the Haines Borough, the City & Borough of Juneau, the City of Petersburg, the City and Borough of Sitka, the Kenai Peninsula Borough, the Ketchikan Gateway Borough, the Kodiak Island Borough, the City of Sang Point, the City of Homer, the City of Ketchikan, and the Municipality of Skagway. These communities are estimated to have saved over \$19.7 million in reduced issuance costs and lower interest expense in their funding of schools, libraries, harbors, hydroelectric projects, and health care facilities.
- The Home Energy Rebate Program activity has resulted in 33,954 ratings. Over 19,087 rebates have been paid out since the program started in April 2008 with an average rebate of \$6,889. In the past fiscal year alone, \$19.4 million was paid in rebates. The average annual energy saved is estimated at 4%.

Safety for Alaskans

- The Long Term Care Ombudsman's (LTCO) Office made unannounced visits to 287 facilities to monitor conditions and resolve complaints.
- The LTCO provided consultation to 115 providers of long term care and published monthly educational columns in Senior Voice statewide newspaper.

Key Department Challenges

Funds Collection

- To maintain the integrity of core tax programs in the face of resource demands from major revenue and investment initiatives and aging or nonexistent information management systems.
- To provide assistance to key decision makers in evaluating current and potential revenue sources and improving the quality of the financial data collected to support revenue forecasts with the goal of developing a stable fiscal policy for the state.
- To provide key decision makers with the information necessary to adopt a fiscal plan to insure that the State of Alaska has the financial resources necessary to provide constitutionally required public services.
- To estimate oil and gas revenues in light of the highly volatile oil and gas market coupled with uncertainties in the U.S. economy.

Funds Distribution

- The federal establishment of tribal child support programs continues to require extensive coordination and personnel time supporting these new entities. The Child Support Services Division continues to work with the tribal child support programs.
- To use technology improvements to process approximately 650,000 Permanent Fund Dividend applications and another 1.5 million supporting documents annually and within a limited budget. The increase in applications will prove to be a key challenge in communication costs, resource allocation, and timely payment.
- Maintain smooth administration of the expanded Rebate and Weatherization Programs by the Alaska Housing Finance Corporation (AHFC).

Funds Investment

- Managing investment risk in the current low interest rate environment and during market volatility.
- Over the past several years, the total assets in GeFONSI (General fund and other non-segregated investments), the Constitutional Budget Reserve Fund and other smaller funds managed by Treasury have grown to the point that they now are larger than the assets of the retirement funds managed by Treasury. This increase in assets under management, along with the complexity of managing multiple investment mandates, creates investment challenges.
- Maintaining corporation best practices and necessary due diligence relating to an ever growing and complex Permanent Fund.
- Provide analysis of the effects of in-state gas pipeline initiatives on the commercialization of North Slope natural gas reserves.
- The Alaska Municipal Bond Bank Authority will continue to seek to maintain the diversity of the municipalities in the pool, including attempts to attract stronger municipalities with stronger credit ratings, and a broader array of municipal enterprise credits. Having a portfolio of borrowers that represents a diversity of regions and economic activity helps ensure the Bond Bank maintains its favorable credit rating.
- Continue to develop partnering initiatives to leverage funds from private corporations, foundations, and other funding sources for Mental Health Trust beneficiary related programs.
- A key challenge for AHFC is to continue to adapt to the changes in the state and national economies. The Finance and Mortgage divisions continuously work to increase mortgage activity in a volatile interest rate and mortgage environment. The Corporation's challenge is to achieve a cost of funds that allows the Corporation to earn a spread while offering a competitive mortgage rate.

Safety for Alaskans

- To respond to rising number of complaints and requests for assistance from the public on behalf of seniors. The number of complaints to the Long Term Care Ombudsman (LTCO) increased 295% between FY 2009 and FY 2013.

Significant Changes in Results to be Delivered in FY2015

Funds Collection

- The Tax Division will fully implement the new oil and gas tax system, the More Alaska Production Act (MAPA). The new system replaces nonexistent, aging, or failing revenue data systems in an effort to more efficiently manage the collection and reporting of state tax revenue.

Funds Distribution

- No changes in results to be delivered.

Contact Information

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