Key Performance Indicators

Department of Revenue

- **Return to Departments**
- **Department of Revenue website**

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

Key Performance Indicators

FY14 Management Plan as of 12/11/2013 (in thousands)

Department of Revenue Totals	Funding					Positions		
	UGF Funds	DGF Funds	Other Funds	Federal Funds	Total Funds	Full Time	Part Time	Non Perm
	$33,436.1	$9,838.1	$228,498.4	$77,542.3	$349,314.9	886	34	17

1. **Funds Collection**
   Collection activities for the Department of Revenue include but are not limited to: Child Support Services collecting from obligors, AHFC collecting rents and mortgage payments, and the Tax Division collecting state taxes owed.

Funding					Positions		
UGF Funds	DGF Funds	Other Funds	Federal Funds	Total Funds	Full Time	Part Time	Non Perm
$21,879.6	$1,196.6	$14,320.3	$23,902.4	$61,298.9	462	26	15

- **Target: Conduct five new compliance projects to identify non-filers.**
- **Target: 90% of existing taxpayers file their tax returns and make tax payments timely.**
- **Target: Increase child support collections by 1.0%, net of Permanent Fund Dividend collections.**
- **Target: 1,000 hour increase in audit hours over prior year.**

2. **Funds Distribution**
   Distribution activities for the Department of Revenue include but are not limited to: Permanent Fund Dividend Division distribution of PFDs to eligible Alaskans, Child Support Services distributing payments to the custodial parent, and Tax Division distributing shared taxes to communities.

Funding					Positions		
UGF Funds	DGF Funds	Other Funds	Federal Funds	Total Funds	Full Time	Part Time	Non Perm
$5,291.7	$8,268.8	$32,693.3	$57,013.5	$103,267.3	302	8	1

- **Target: Increase disbursements of child support payments by 0.5%.**
- **Target: Maintain or reduce administrative costs from year to year.**
- **Target: Increase Senior Housing units by 5%**
- **Target: Increase Multi-Family units by 3%**

3. **Funds Investment**
   Funds Investment activities for the Department of Revenue include but are not limited to: Permanent Fund Corporation investment of the fund, Treasury and ARMB investment of the state's funds and retirement systems, and AMHTA and AHFC corporate investments.

Funding					Positions		
UGF Funds	DGF Funds	Other Funds	Federal Funds	Total Funds	Full Time	Part Time	Non Perm
$5,853.9	$372.7	$181,061.3	$-3,373.6	$183,914.3	115	0	2

- **Target: For the funds under the fiduciary responsibility of the Commissioner of Revenue, exceed the applicable 1-year target returns.**
- **Target: A long-term 5% real rate of return**
- **Target: Formal visit, bond issue update, or updated document template sent or presented to ratings agencies at least four times per year.**
- **Target: 100% of new financings will result in savings.**

4. **Safety for Alaskans**
The Long Term Care Ombudsman is located with the Alaska Mental Health Trust Authority and performs investigations of complaints regarding Alaskans in long term care who may be experiencing a negative care situation.

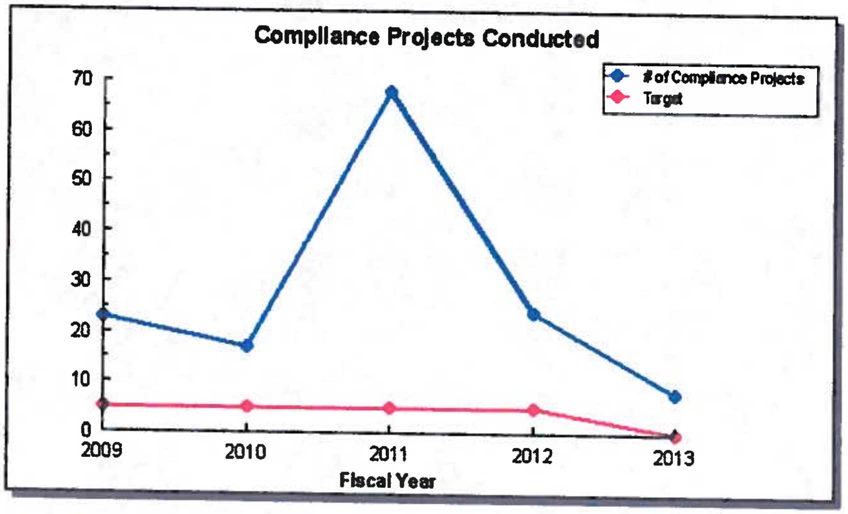
Funding					Positions		
UGF Funds	DGF Funds	Other Funds	Federal Funds	Total Funds	Full Time	Part Time	Non Perm
$410.9	$0.0	$423.5	$0.0	$834.4	7	0	-1

- **Target: 90% of all complaints received are resolved to the satisfaction of the resident or complainant.**

Performance Detail

1: Funds Collection

Target #1: Conduct five new compliance projects to identify non-filers.



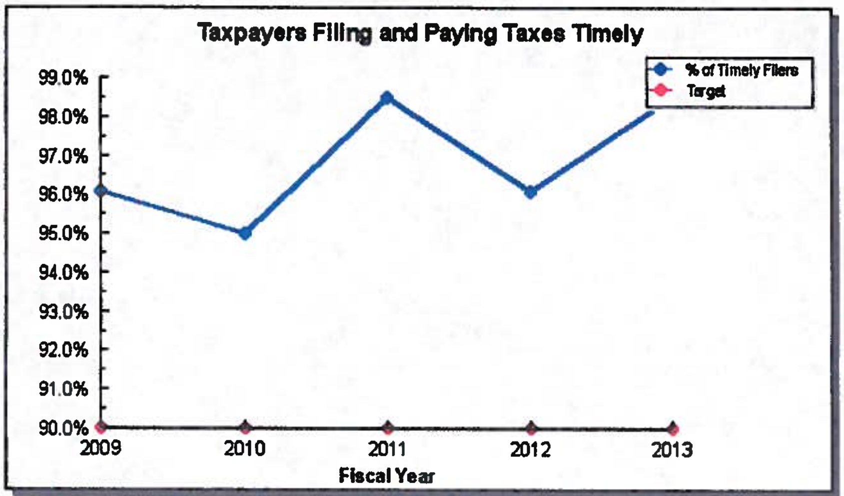
Compliance Projects Conducted

Fiscal Year	# of Compliance Projects	# New Taypayers
FY 2013	8	62
FY 2012	24	109
FY 2011	68	98
FY 2010	17	87
FY 2009	23	68

Analysis of results and challenges: The Tax Division encourages voluntary compliance as the most effective tool for collecting tax revenues. An important aspect of voluntary compliance is for taxpayers to believe that they are paying about the same amount in taxes as other similarly situated taxpayers. Seeking out and finding new taxpayers and bringing them into compliance assists revenue both in long-term voluntary compliance as well as bringing in the revenues from the new taxpayers. The division does not believe there are any major oil and gas taxpayers not filing, but we are focusing on the tax types that constitute the other 20% of our revenue responsibilities. This target and measure does not include federal or multi-state compliance programs in which we currently participate.

The division conducted 8 compliance projects in FY2013. This was less than what was conducted in previous years as the division began implementing a new revenue management system during the last quarter of FY2013 and began committing resources to this project. Compliance projects include analyzing databases of other state, federal and local agencies to ensure that a person engaged in a taxable activity is filing required tax returns, as well as conducting taxpayer outreach and education through attendance at industry meetings and conferences. During FY 2013, we identified new taxpayers in mining, vehicle rental, gaming, and motor fuel through third party research and attendance at industry meetings.

Target #2: 90% of existing taxpayers file their tax returns and make tax payments timely.



Methodology: This measure was added in FY2009.

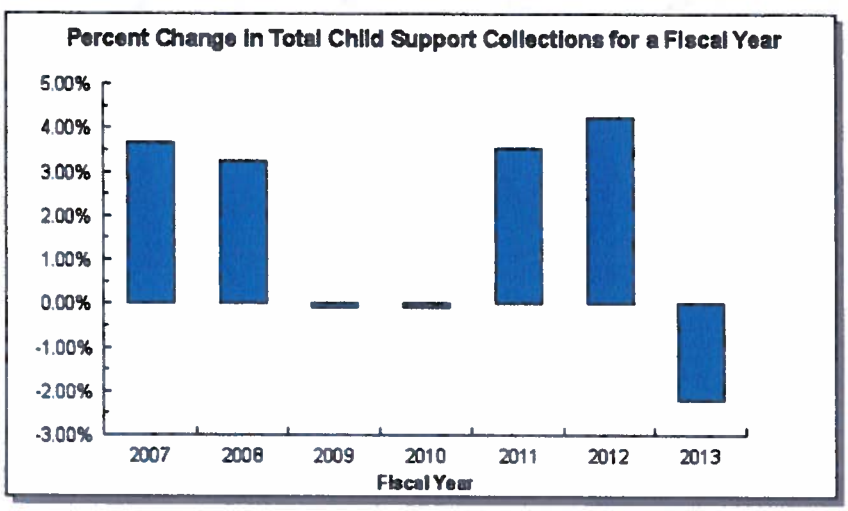
Taxpayers Filing and Paying Taxes Timely

Fiscal Year	% of Timely Filers
FY 2013	98.5%
FY 2012	96.1%
FY 2011	98.5%
FY 2010	95.0%
FY 2009	96.1%

Analysis of results and challenges: The Tax Division's primary function is to encourage voluntary compliance by all taxpayers across all tax programs. This is achieved in a variety of ways, i.e. taxpayer education and outreach programs, compliance activities where we actively look for nonfilers, and collection activities. Taxpayers are more apt to voluntarily comply if they believe that everyone else is paying their fair share and the Division makes it relatively easy to file returns and pay taxes. As such, the most effective way to measure our performance is to look at the percentage of known taxpayers who timely file their returns and pay their taxes.

In FY2013, 98.5% of known taxpayers voluntarily filed their tax returns and paid taxes due at the time required by law. This is an increase from FY2012 and significantly above our goal of 90%. This indicates that the Tax Division is doing a good job at educating taxpayers on their responsibility to file tax returns and pay taxes due. This is also an indication of whether taxpayers have problems when filing their tax returns or making tax payments. During the last few years, the Division has focused on making it easier for taxpayers to file returns and pay taxes due with an online payment system. We have had great success with this system and believe it is a factor in our ability to achieve this performance goal. Although this measure looks specifically at known taxpayers, it is important for the Division to continually update its existing taxpayers on changes to tax statutes and regulations while also looking for nonfilers. We will strive to retain a 90% or better level of compliance by existing taxpayers in future years.

Target #3: Increase child support collections by 1.0%, net of Permanent Fund Dividend collections.



Percent Change in Total Child Support Collections for a Fiscal Year

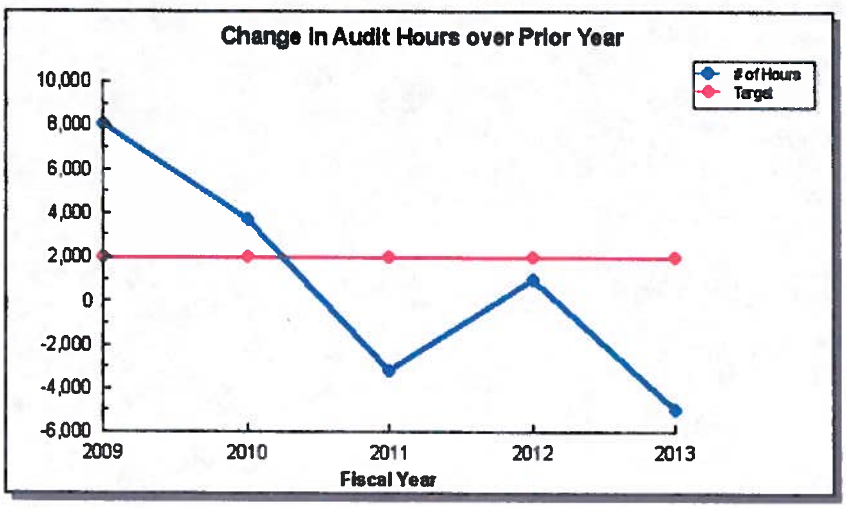
Fiscal Year	% Change
FY 2013	-2.20%
FY 2012	4.22%
FY 2011	3.53%
FY 2010	-0.08%
FY 2009	-0.08%
FY 2008	3.25%
FY 2007	3.66%

Analysis of results and challenges: FY2013 collections net of Permanent Fund Dividends (PFDs) decreased by 2.2% over FY2012. Collections in all categories (including PFDs) decreased 5.1% in FY2013.

Continued high staff turnover has resulted in a lack of experience among front line staff. This lack of experience has resulted in a decrease in collections and several other performance measures. Staff turnover this past year was 46.7%. Currently more than 46% of the front line staff has less than 1.5 years in their current jobs.

Because the economic outlook is still uncertain as far as employment numbers are concerned, which could have a negative impact on collections, the target will be 1% for the current year and will be reevaluated again next year.

Target #4: 1,000 hour increase in audit hours over prior year.



Change in Audit Hours over Prior Year

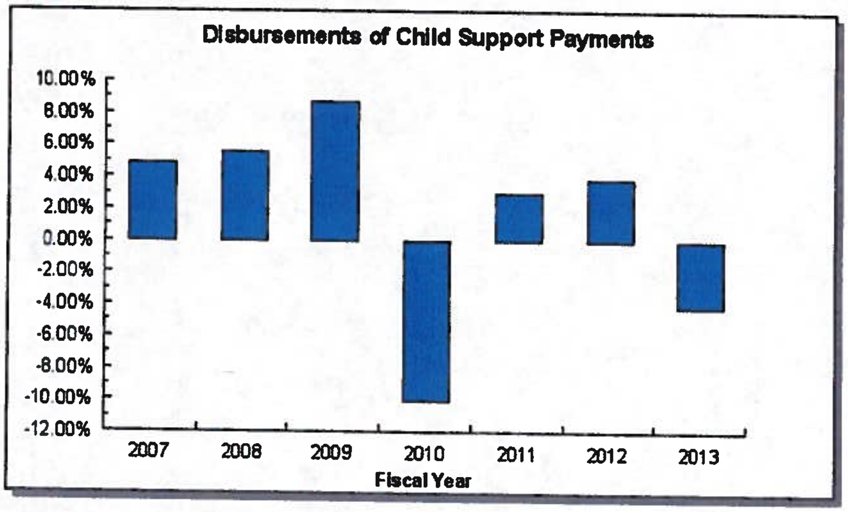
Fiscal Year	# of Hours
FY 2013	-4,957
FY 2012	1,006
FY 2011	-3,202
FY 2010	3,742
FY 2009	8,102

Analysis of results and challenges: Although voluntary compliance remains our best tool for effective tax collection, that voluntary effort is enhanced by an audit presence, and therefore, we need to increase our audit numbers.

In FY2013, the Division began implementing an integrated tax revenue management system. In order to ensure that implementation is successful, the Division deliberately cut back on the number of audits conducted and diverted those resources to the implementation of the new system. Full implementation of the system will take approximately 3 years and the Division expects that the number of new audits and the number of audit hours will continue to decrease over previous years until the system is fully operational. The Production Audit Group remains current on all oil and gas productions audits.

2: Funds Distribution

Target #1: Increase disbursements of child support payments by 0.5%.



Disbursements of Child Support Payments

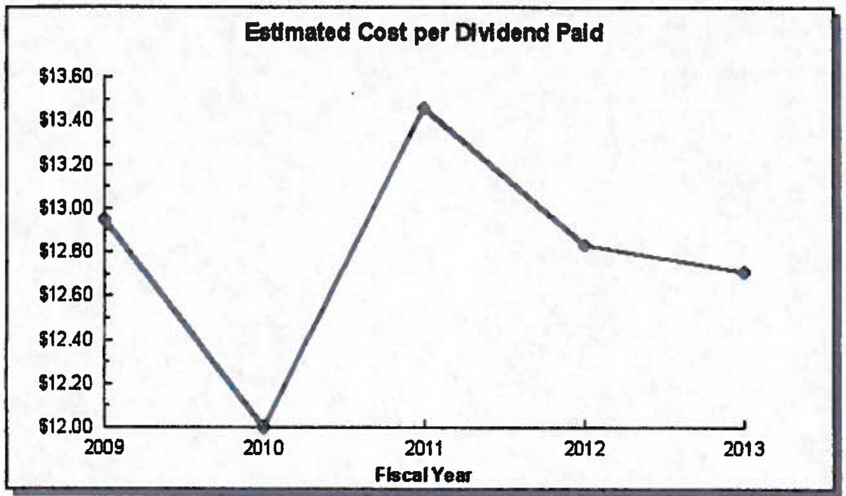
Fiscal Year	% of Change
FY 2013	-4.20%
FY 2012	3.85%
FY 2011	2.94%
FY 2010	-10.03%
FY 2009	8.72%
FY 2008	5.55%
FY 2007	4.85%

Analysis of results and challenges: This measure works with the amount of collections received in the fiscal year; if collections have increased then disbursements should also increase. This measure also works in conjunction with the "money on hold" measure (see CSSD strategy A2, measure #2); if there is less money on hold then disbursements should also increase.

The reduced collections resulted in reduced distribution. Overall collections decrease by 5.1% while disbursements decreased only 4.2%

Because the economic outlook is still uncertain as far as employment numbers are concerned, the target will be an increase of 0.5% for the current year and will be reevaluated again next year.

Target #2: Maintain or reduce administrative costs from year to year.



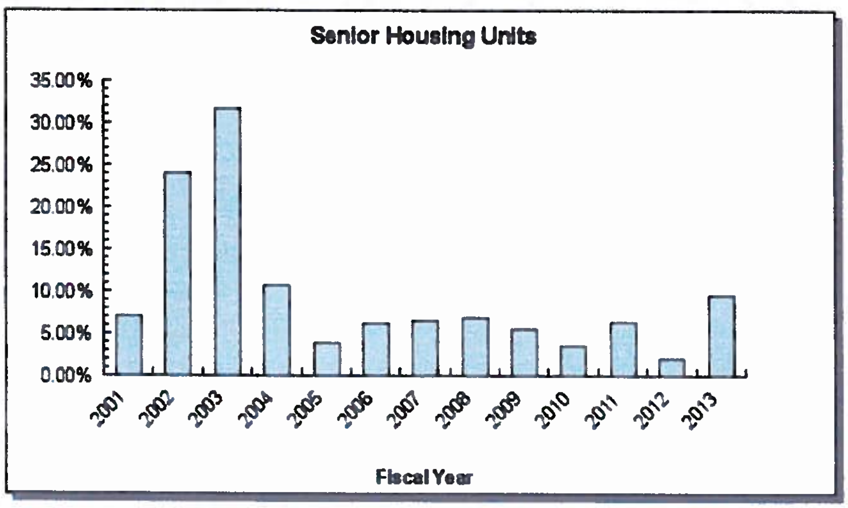
Methodology: Calendar/dividend year is used for PFD application and payment statistics. Appropriations are based on state fiscal year and become effective on July 1 of the dividend year shown.
**Total PFD appropriation includes funding for fiscal notes, prior year supplementals, and new capital appropriations.*
***Number of applications received by PFDD at time of dividend calculation.*

Estimated Cost per Dividend Paid

Fiscal Year	Dividend Year	Total PFD Appropriation*	#Applications Received**	Estimated # PFD's Paid	Estimated Cost Per PFD
FY 2013	2012	$8,221,000	677,733	646,805	$12.71
FY 2012	2011	$8,310,100	676,148	647,549	$12.83
FY 2011	2010	$8,634,800	668,214	641,595	$13.46
FY 2010	2009	$7,539,900	657,804	628,499	$12.00
FY 2009	2008	$7,910,300	641,291	610,768	$12.95

Analysis of results and challenges: The division was successful in operating the PFD program this year while reducing the cost per dividend. Dividend applications were relatively flat year over year and the resultant workload was manageable with the existing budget.

Target #3: Increase Senior Housing units by 5%



Senior Housing Units

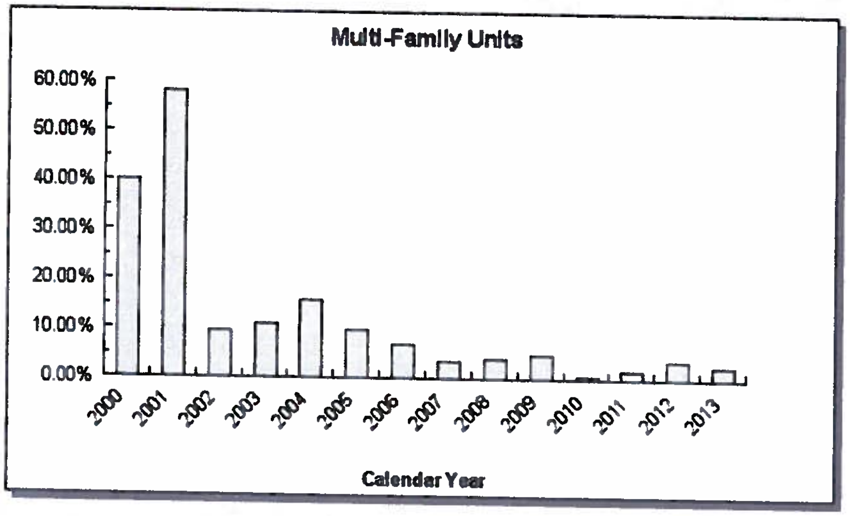
Fiscal Year	New Senior Units	Total Senior Units	% Change
FY 2013	94	1078	9.55%
FY 2012	20	984	2.07%

FY 2011	58	964	6.40%
FY 2010	30	906	3.42%
FY 2009	45	876	5.42%
FY 2008	53	831	6.81%
FY 2007	48	778	6.58%
FY 2006	42	730	6.10%
FY 2005	25	688	3.77%
FY 2004	64	663	10.68%
FY 2003	144	599	31.65%
FY 2002	88	455	23.98%
FY 2001	24	367	7.00%

Analysis of results and challenges: The change in unit production is a function of award criteria modifications made by AHFC for rental development subsidies and match funding included in projects funded. While development costs remain high, rating criteria revision have reduced cost escalation trends in funded projects and increased the incentives for leverage / match funding included proposed developments. Although program funding has remained flat in recent years and historical match sources have been reduced, increased unit production was delivered by leveraging the incentives used in the competitive allocation process where $3.50 in subsidy is requested for every $1 available.

Although AHFC provides mortgage financing for assisted living facilities, the methodology for reporting those developments counts beds rather than units; consequently, AHFC mortgages to assisted living properties are excluded from these data. Seniors continue to be the fastest growing segment of the population. In large part, the number of units added each year depends primarily on AHFC's annual Capital budget appropriation. The gap between the need and what is developed grows each year. The number of persons with mental and physical disabilities has also been increasing over time. Senior and special needs housing remains a high priority for the Corporation.

Target #4: Increase Multi-Family units by 3%



Multi-Family Units

Year	New Units	Total Units	% Change
2013	403	15,908	2.59%
2012	537	15,505	3.58%
2011	262	14,968	1.78%
2010	94	14,706	0.64%
2009	658	14,612	4.72%
2008	547	13,954	4.08%
2007	437	13,407	3.37%
2006	839	12,970	6.92%

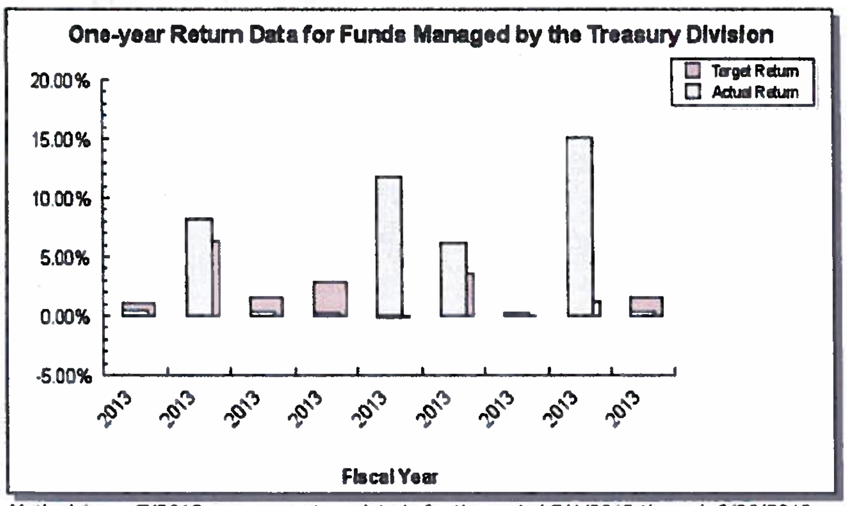
2005	1,067	12,131	9.64%
2004	1,491	11,064	15.58%
2003	938	9,573	10.99%
2002	748	8,625	9.36%
2001	2,897	7,887	58.06%
2000	1,438	4,990	40.00%

Analysis of results and challenges: The change in unit production from FY12 is a function of rate competitiveness, development costs and flat funding. The national secondary market for multifamily is stabilizing as more of the population moves from homeownership to rental housing, but AHFC remains challenged by the federal government's access to less expensive capital through Fannie Mae and Freddie Mac, and increased warehousing of multifamily loans by large, national lenders. AHFC's programs offer advantages, such as assumability in a rising interest rate environment and longer terms, that may increase production in the upcoming fiscal year.

Multi-family housing activity is subject to interest rate fluctuations, local economic conditions and other unpredictable market influences – including rehabilitation activities utilizing AHFC funds which are omitted from these data by methodology. Affordable rental housing remains in demand and benefits markets by freeing proportional household income to be spent in the community. However, new construction faces marginal feasibility due to the spread of achievable rents and rents needed to supporting development costs. Unit production will remain a challenge due to high development costs, flat funding and reductions in match funding available for AHFC funded projects.

3: Funds Investment

Target #1: For the funds under the fiduciary responsibility of the Commissioner of Revenue, exceed the applicable 1-year target returns.



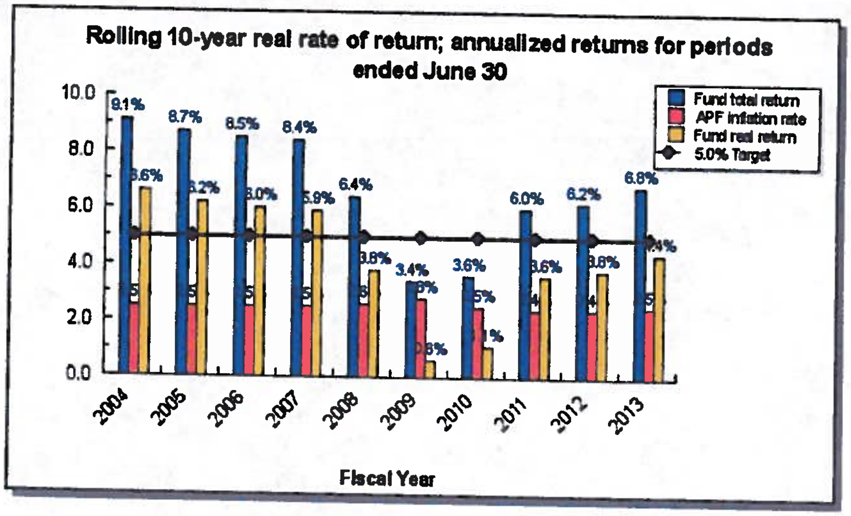
Methodology: FY2013 one-year return data is for the period 7/1/2012 through 6/30/2013.

One-year Return Data for Funds Managed by the Treasury Division

Fiscal Year	Fund	Actual Return	Target Return
FY 2013	Gen Fund/Other Non-segregated Fu	.53%	.29%
FY 2013	Public School Trust Fund	8.19%	7.91%
FY 2013	Int'l Airports Revenue Fund	.34%	.28%
FY 2013	Const Budg Resv Fund-Main Acc	.18%	.19%
FY 2013	Const Budg Resv Fund- Sub Acc	11.75%	11.37%
FY 2013	Retirement Hlth Ins Fund-LongTer	6.14%	5.55%
FY 2013	Retirement Hlth Ins Fund- Maj Me	.24%	.11%
FY 2013	Power Cost Equalization Fund	15.12%	14.51%
FY 2013	Int'l Airports Development Fund	.34%	.28%

Analysis of results and challenges: A combination of investments that is expected to produce the highest investment return for a given amount of risk is known as a "point on the efficient frontier." Each fiduciary for a fund reviews points on the efficient frontier and selects the combination of investments consistent with their appetite for risk and return of the fund. This selection is known as the target asset allocation. Target returns assume the total rate of return of passively managed indexes invested in the same proportions as the target asset allocation. A fund's investment return will differ from its target return if its asset allocation differs from the target asset allocation or if the returns of the underlying investments differ from those of the passively managed indexes.

Target #2: A long-term 5% real rate of return

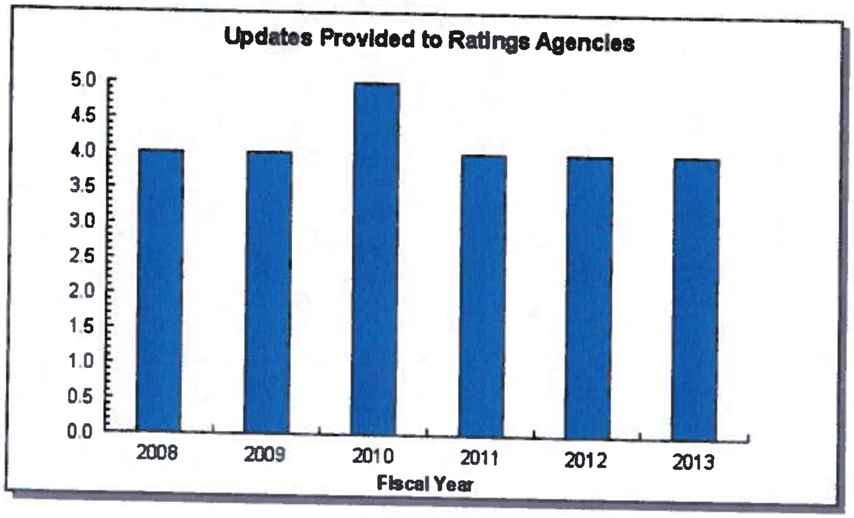


Analysis of results and challenges: The Alaska Permanent Fund's long-term real rate of return for the period FY2004 – FY2013 was 4.4%. This performance period includes the challenging markets of 2008 – 2009. The Fund's annualized real return for 29.5 years, ended June 30, 2013, was 8.8%.

Alaska Permanent Fund returned 10.9 percent for the fiscal year 2013 ended June 30, with a closing balance of $44.4 billion.

The Board of Trustees strategically allocates the Fund among stocks, bonds, real estate, and alternative investments. Different types of assets are influenced differently by factors such as the economic cycle, interest rates, inflation and fiscal policy. This creates a mix of asset types whose returns move out of sync with one another, moderates the Fund's total volatility, and increases the possibility of achieving a positive return.

Target #3: Formal visit, bond issue update, or updated document template sent or presented to ratings agencies at least four times per year.

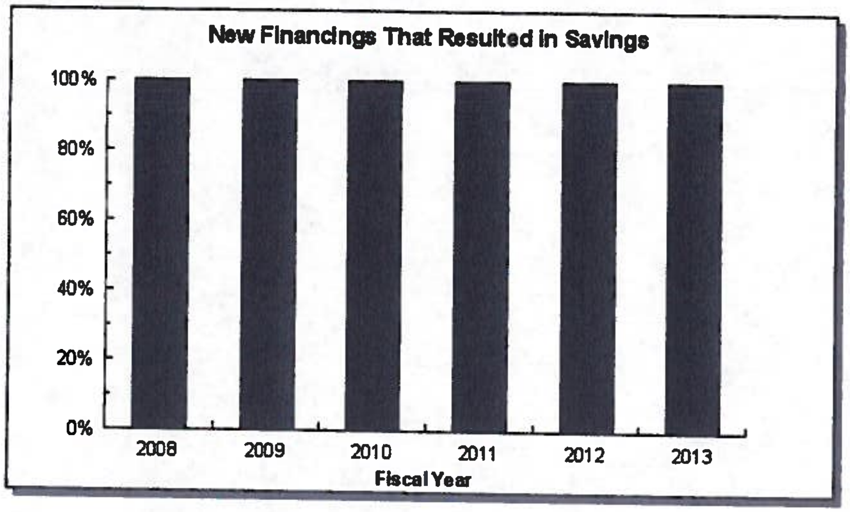


Updates Provided to Ratings Agencies

Fiscal Year	# of Updates
FY 2013	4
FY 2012	4

FY 2011	4
FY 2010	5
FY 2009	4
FY 2008	4

Target #4: 100% of new financings will result in savings.



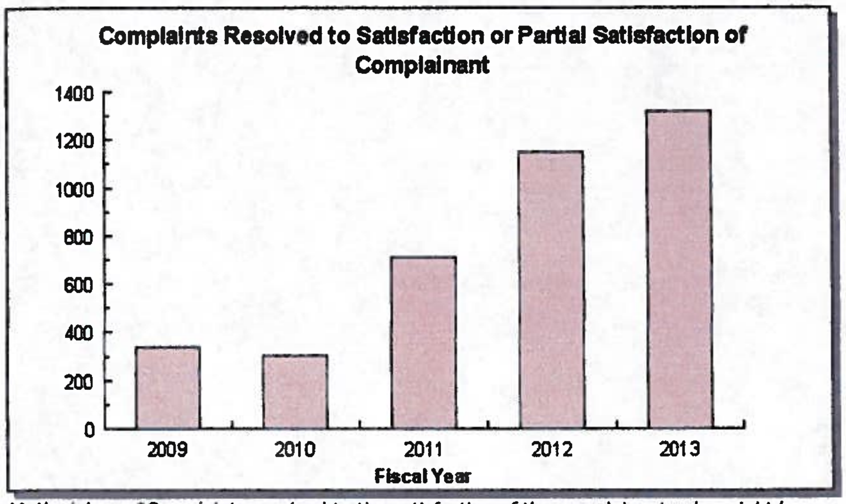
New Financings That Resulted in Savings

Fiscal Year	Percent	Aggregated Savings
FY 2013	100%	$19.6 million
FY 2012	100%	$17.2 million
FY 2011	100%	$13.6 million
FY 2010	100%	$9.6 million
FY 2009	100%	n/a
FY 2008	100%	n/a

Analysis of results and challenges: In each fiscal year shown all communities that borrowed funds through the Bond Bank are projected to be paying less debt service (realized savings) than they otherwise might have using other means of financing their project.

4: Safety for Alaskans

Target #1: 90% of all complaints received are resolved to the satisfaction of the resident or complainant.



*Methodology: *Complaints resolved to the satisfaction of the complainant, who might be someone other than the elder resident.*

This is a new measure in FY2009.

Complaints Resolved to Satisfaction or Partial Satisfaction of Complainant

Fiscal Year	Complaints Received	Complaints Resolved*	% Resolved
FY 2013	1319	1227	93%
FY 2012	1149	931	81%
FY 2011	711	390	55%
FY 2010	305	167	54%
FY 2009	337	108	32%

Analysis of results and challenges: In FY2013, 2% of cases were not resolved to the satisfaction of the complainant or resident and 4% were either referred to another agency, resolved, withdrawn or required no action.

Current as of November 4, 2013