



State of Alaska Department of Revenue Budget Overview

A Presentation to the House Finance Subcommittee
January 27, 2016

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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

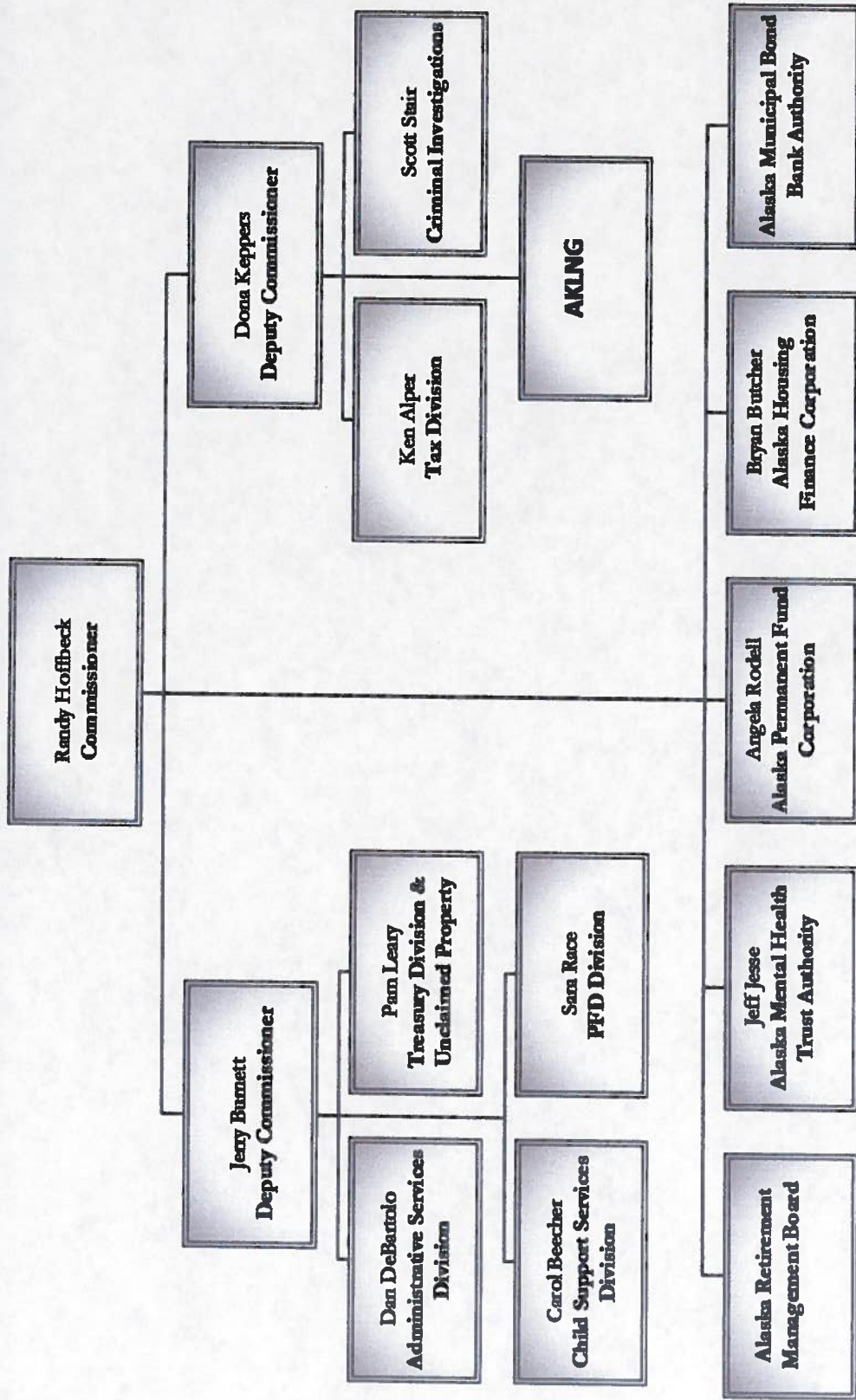
- Treasury Division
- Tax Division
- Permanent Fund Dividend Division
- Child Support Services Division

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)

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2015 Performance Snapshot

Treasury Division

- All non-retirement funds managed by the Treasury Division met or exceeded the benchmark returns. This includes the General Fund, Other Non-segregated Investments (GeFONSI), and Constitutional Budget Reserve Funds.
- Issued \$355.3 million of general obligation and state supported subject to appropriation bonds through three bond issues, to refinance existing obligations and provide project funding. The refinancing provided \$16 million in current dollar savings for the State's general fund.

Tax Division

- Successfully rolled out Oil and Gas Production and Property Tax into our Tax Revenue Management System; final tax types to be rolled out by March 2016.
- The Tax Division collected \$1,202,468,815 in FY15 from all activities.

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2015 Performance Snapshot

Permanent Fund Dividend Division

- In Dividend Year 2015, 93.3% of total applications received were completed (determined eligible, denied, invalidated, or withdrawn) by September 15th.
- PFD implemented new warrant Positive Payee standards, that mandate enhanced security features. These result in the reduction of fraudulent and counterfeit checks, as well as improved payment tracking. This has already decreased the number of reported counterfeit checks, while significantly improving our response rate due to quicker notification from banking institutions.

Child Support Services Division

- In October of 2015, CSSD successfully moved custodial parents from paper checks to debit cards or electronic deposits for child support payments. This greatly mitigates the possibility of fraud, provides clients with quick access to payments, and has significantly reduced costs for check-stock, printing expenses, and mailing fees. Outgoing child support checks have decreased from approximately 9,500 checks to 1,900 with an anticipated total reduction of 91,200 checks annually.
- CSSD provides information daily to customers seeking verification of payments for the purposes of home loans, child care and other public services. The division now provides direct access to the information they require, saving staff time for CSSD and less effort for clients. Prior to providing access, CSSD received around 50 verification requests daily. As a result, manual requests are currently down by more than half.

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2015 Performance Snapshot

Alaska Retirement Management Board (ARMB)

- The Public Employee Retirement System (PERS) and Teacher Retirement System (TRS) defined benefit retirement plans earned annual returns of 3.30% in 2015 placing their earnings above the median of all public funds in the Callan Database. Both plans exceeded benchmark returns.

Alaska Municipal Bond Bank Authority (AMBBA)

- The Bond Bank issued \$175.6 million in bonds, which resulted in \$199.9 million in loans to communities for new projects or refinancing. The Bond Bank used these funds for 29 municipal refinancing loan agreements, and new projects in 19 communities to fund schools, harbors, municipal utilities (solid waste, electric, and water), health care facilities, and other municipal projects.

Unclaimed Property

- Transferred \$8.0 million into the state general fund for FY2015 collections in excess of refunds. Since the inception of the program in 1986, a total of \$104 million has been transferred to the state general fund from the Unclaimed Property Trust account.

Criminal Investigations Unit

- During 2015, CIU received 795 PFD Fraud Tips resulting in 20 cases sent to prosecution. These cases had an administrative recovery value of \$600,000 and a criminal recovery of over \$108,000. CIU also criminally charged 27 non-custodial parents for failing to pay their child support. Additionally, CIU investigations resulted in the collection of \$317,000 in otherwise uncollectable Child Support debt.

6

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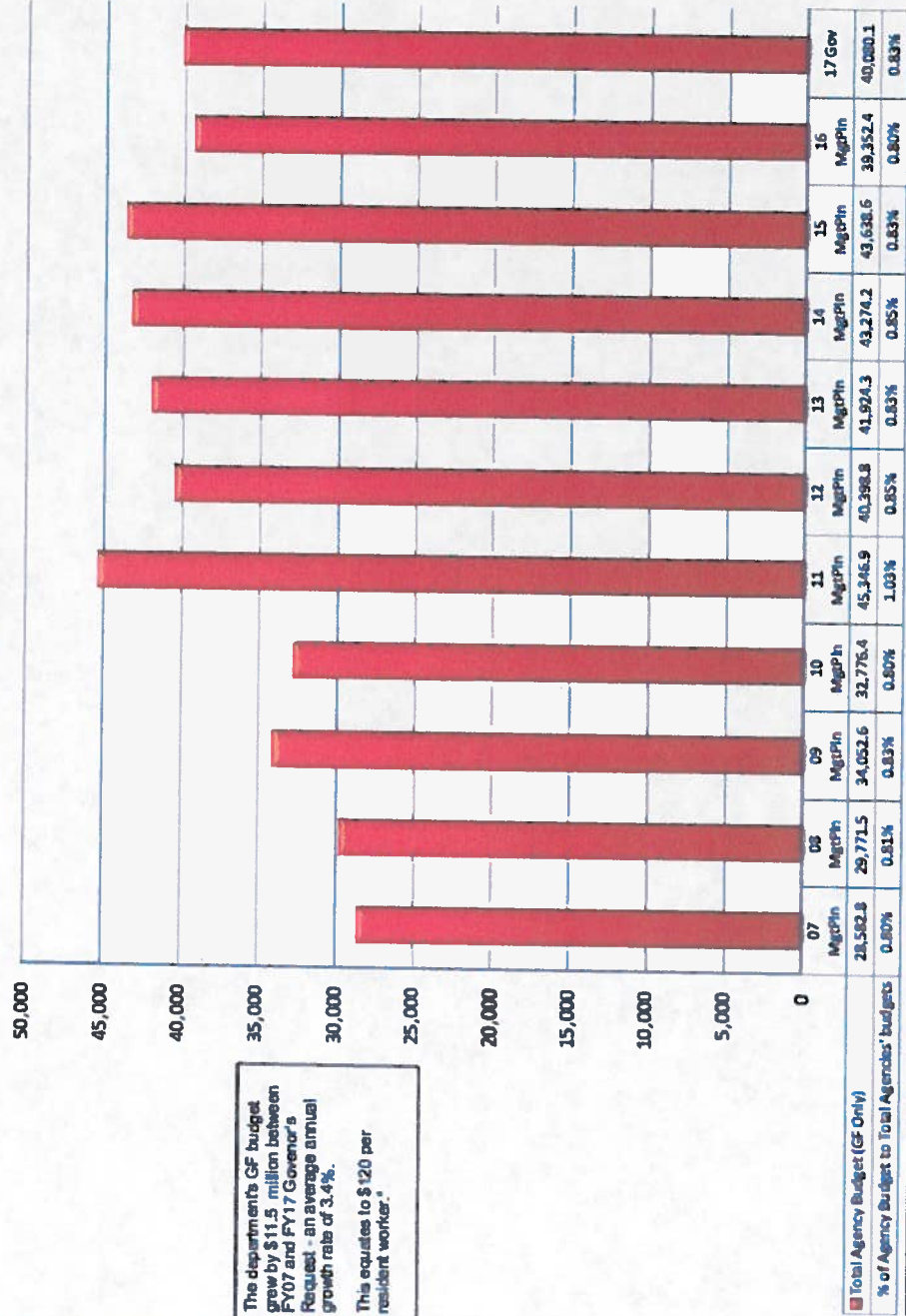
Summary of UGF and Position Reductions – FY 15 Management Plan to FY 17 Governor

- Since the start of FY15, the Department has cut **\$5.9 million (-19.1%)** in UGF spending. The Tax Division has felt the greatest impact as **\$2.65 million (15.5%)** of its total budget has been reduced during that period.
- The Treasury Division reduced **\$1.75 million (35.8%)** in UGF spending primarily due to management fee reductions and cost allocation changes.
- The Child Support Services Division reduced **\$1.1 million (10.1%)** in UGF spending via staff reductions and programmatic changes.
- During this period the Department will have eliminated **48** positions:
 - Tax – **29** Child Support – **6** AHFC – **3** Treasury – **3** PFD – **2**
 - Admin Services – **2** Commissioner – **2** Criminal Investigations – **1**

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Legislative Finance Graphs – 10 Year Look Back

Department of Revenue Share of Total Agency Operations
(GF Only)
(\$ Thousands)



The department's GF budget grew by \$11.5 million between FY07 and FY17 Governor's Request - an average annual growth rate of 3.4%.

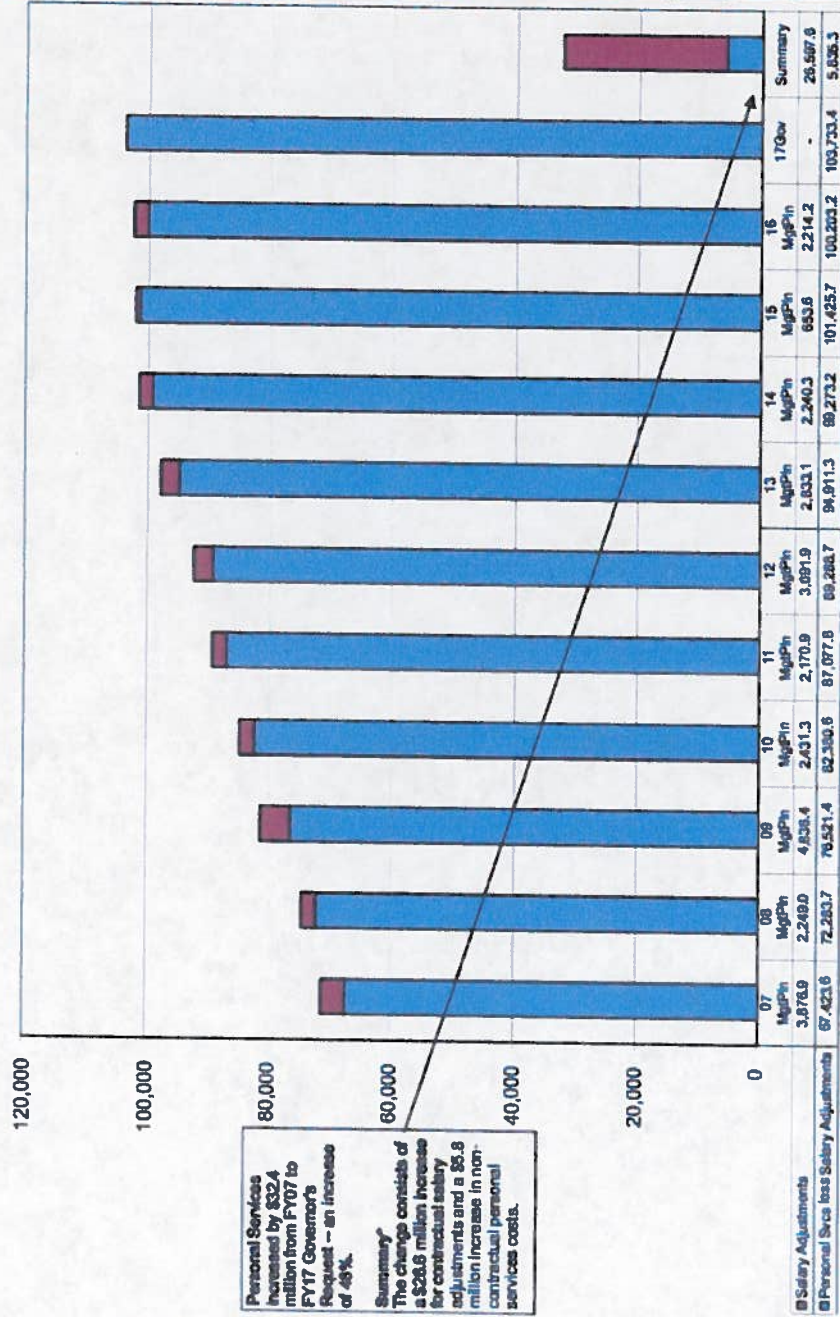
This equates to \$120 per resident worker.*

* Per the most recent available workforce data from the Department of Labor, there were 333,283 resident workers in Alaska in 2012.

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Legislative Finance Graphs – 10 Year Look Back

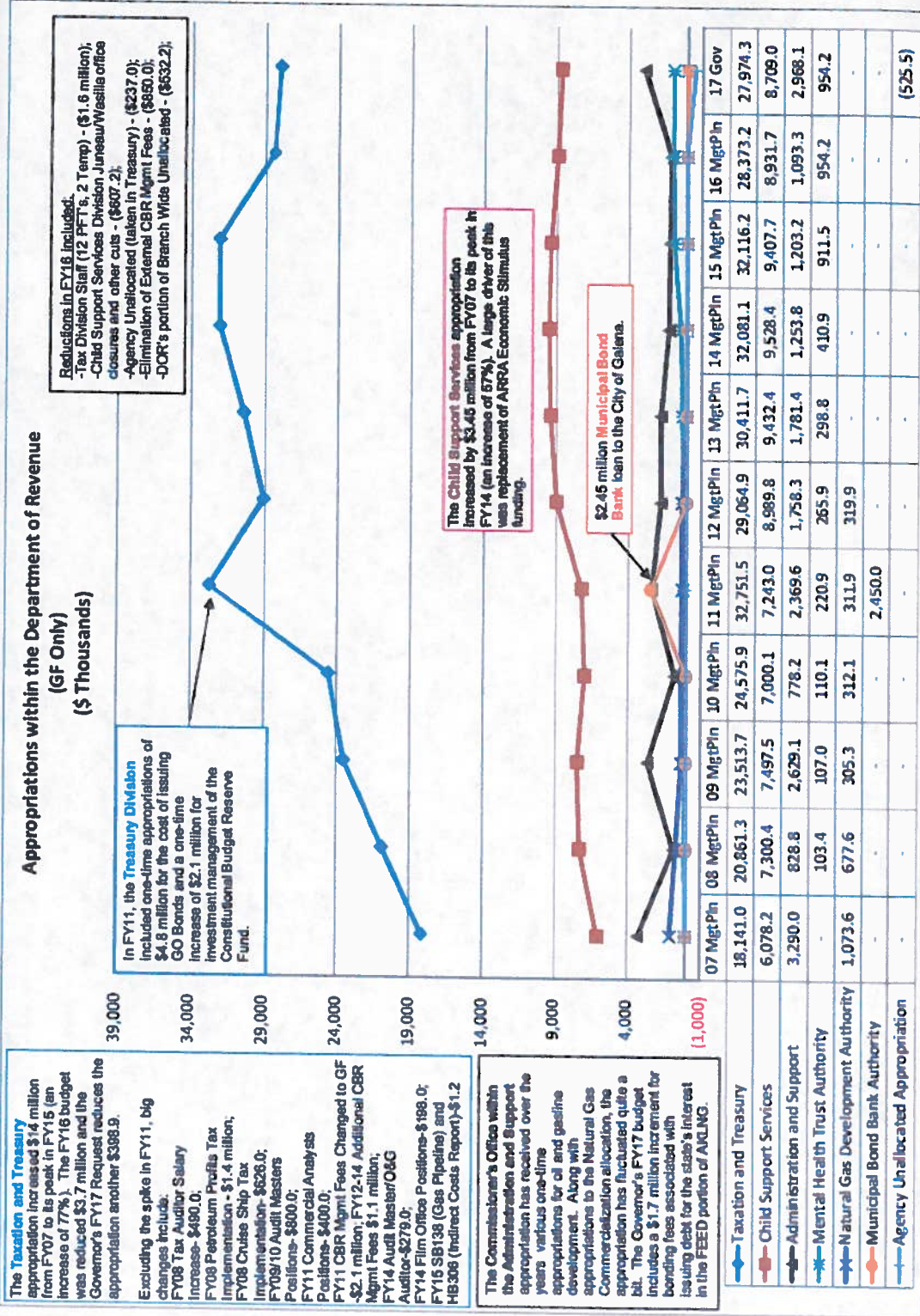
Department of Revenue
Salary Adjustment Increases and Personal Services Costs
(All Funds)
(\$ Thousands)



* Changes in the personal services line from FY07 to FY17 Governor's Request are aggregated into two parts: (1) base increases (primarily due to contractual regulations) and (2) other personal services increases such as transfers between line items or increases from new positions. The final column sums the two types of changes during the period.

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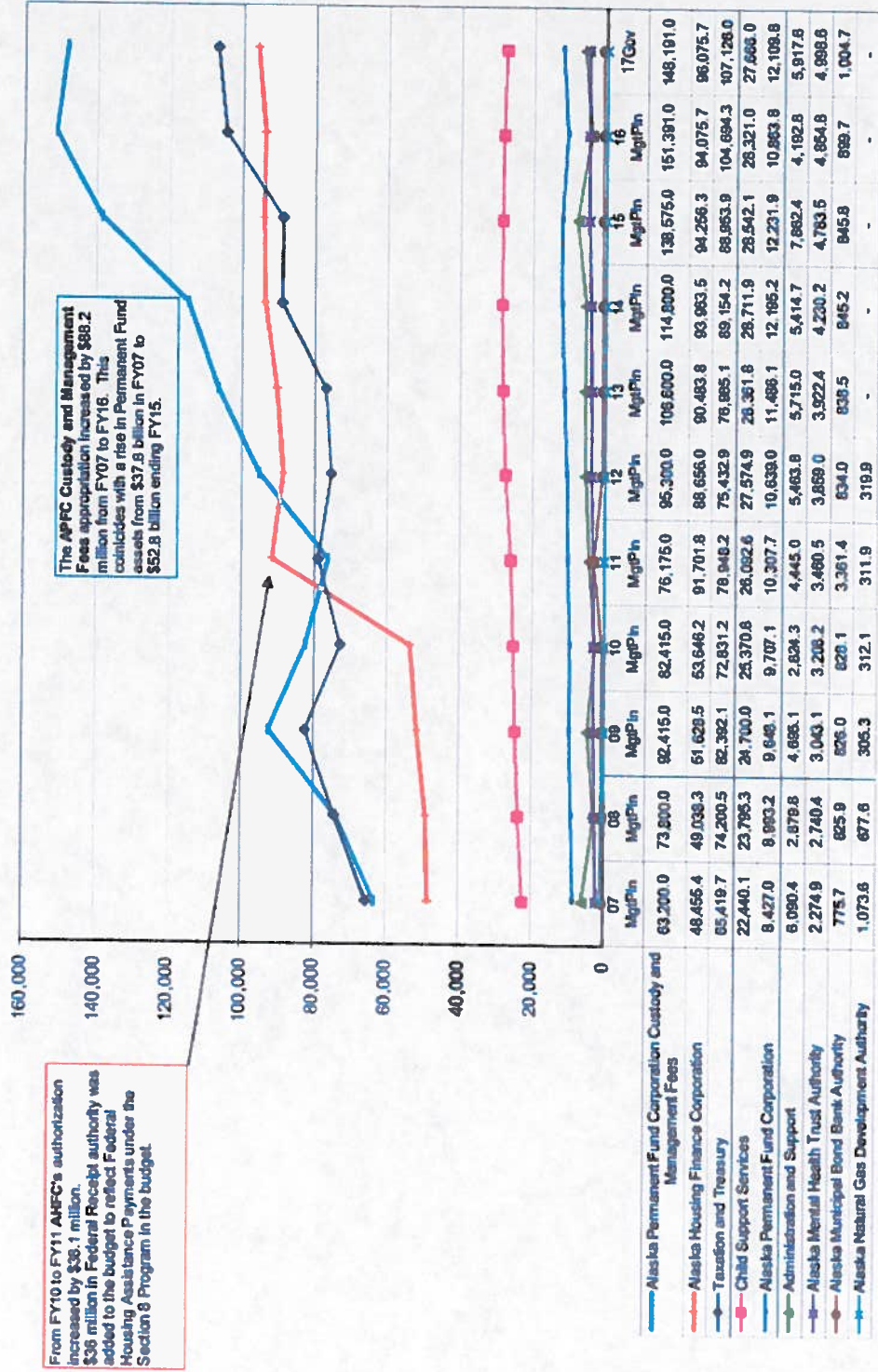
Legislative Finance Graphs – 10 Year Look Back



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Legislative Finance Graphs – 10 Year Look Back

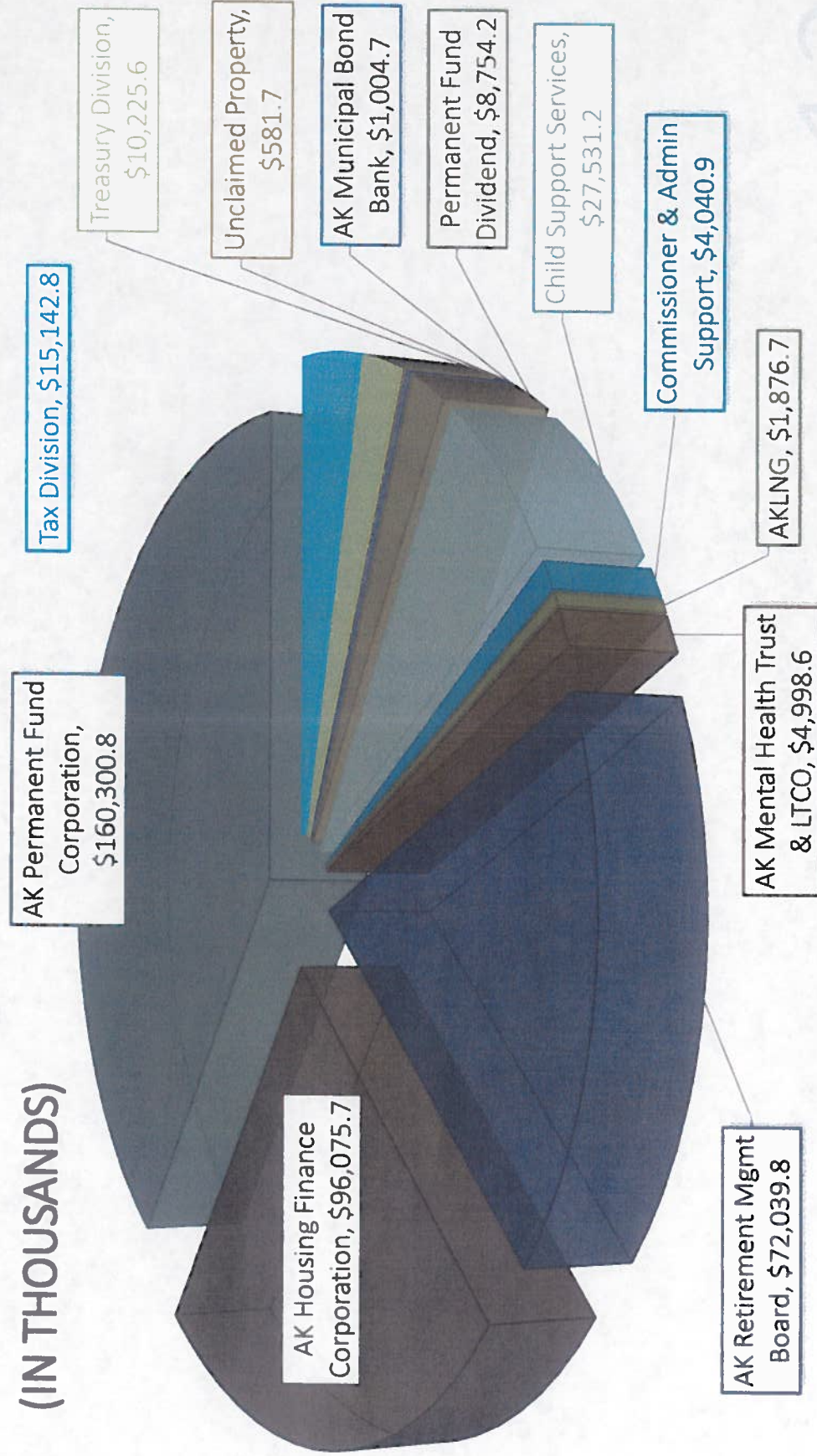
Appropriations within the Department of Revenue
(All Funds)
(\$ Thousands)



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FY 17 Governor's Budget by Program Including Unallocated Reduction (See Handout)

(IN THOUSANDS)



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FY 17 Governor's Budget Key Changes (Including Unallocated Reduction)

Key Reductions

Tax Division – (\$757.9) UGF and 8 full time positions
Treasury Division – (\$324.1) UGF/Other and 3 full time positions
Child Support Services Division – (\$789.9) UGF/Fed and 6 full time positions
Alaska Permanent Fund Corporation – (3,000.0) – Management Fees

Key Increment Requests

Treasury Division – \$711.5 – Add two investment officers and one support position
Treasury Division - \$857.8 – Move investment officer salaries to market level
Natural Gas Commercialization (AKLNG) - \$1,876.7
Consulting and Legal Services - \$1,700.0
Non-Permanent Project Coordination Position - \$111.7
Travel and Support Costs - \$65.0

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FY 17 Governor's Budget Key Changes – Alaska Permanent Fund Corporation Requests

Rules based stock portfolio

<i>Staff:</i>	3 investment, 1 risk, 1 IT
<i>Annual salary cost:</i>	\$882,000
<i>Annual fee savings:</i>	\$3.2 million

Special opportunities

<i>Staff:</i>	Investment analyst
<i>Annual salary cost:</i>	\$145,000
<i>Savings:</i>	\$44 M over the life of one investment

\$216,000 for staff retention adjustments

It is important that the APFC be able to retain experienced, skilled professionals that are critical to managing and growing the Permanent Fund.

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FY 17 Governor's Budget Key Changes – Alaska Housing Finance Corporation Request

FY2016 Management Plan		FY2017 Governor	FY2017 Changes	% Change
Salaries	41,097,400	41,097,400	-	0.00%
Travel	1,009,600	1,009,600	-	0.00%
Contractual	15,298,700	15,298,700	-	0.00%
Supplies	1,978,500	1,978,500	-	0.00%
Equipment	312,100	312,100	-	0.00%
Grants	33,800,000	35,800,000	2,000,000	5.92%
Total Budget:	93,496,300	95,496,300	2,000,000	2.14%
Corporate	33,275,500	33,275,500	-	0.00%
Federal	57,071,000	59,071,000	2,000,000	3.50%
Interagency	800,000	800,000	-	0.00%
CIP	2,349,800	2,349,800	-	0.00%
Total Funding Sources:	93,496,300	95,496,300	2,000,000	2.14%
Full-Time	313	313	-	0.00%
Part-Time	23	23	-	0.00%
Non Permanent	14	14	-	0.00%
	350	350	-	0.00%

15

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FY 17 Capital Budget Requests - Governor

- Child Support Services Database Replatforming (NSTAR)

Capital Funding – 1,700.0 UGF Match/3,000 Fed

These funds will be used to move the case management system off the aging and expensive mainframe, and keep them compliant with the Feds for at least the next fifteen years.

- Alaska Housing Finance Corporation Multiple Projects

Capital Funding - 15,950.0 UGF/3,900.0 Other/1,500.0 DGF/16,500.0 Fed

General Fund Detail (UGF/DGF)

— \$6.85 million	Homeless Assistance Program
— \$3.0 million	Supplemental Housing Development Program
— \$1.85 million	Federal and Other Competitive Grants
— \$1.5 million	Beneficiary and Special Needs Housing
— \$1.5 million	Rental Assistance for Victims (ECHP)
— \$1.0 million	Teacher, Health, & Public Safety Professionals Housing
— \$1.0 million	Cold Climate Housing Research Center (CCHRC)
— \$750,000	HUD Federal HOME Grant

Thank You

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