

State of Alaska FY2020 Governor's Operating Budget

Department of Revenue

Department of Revenue

Mission

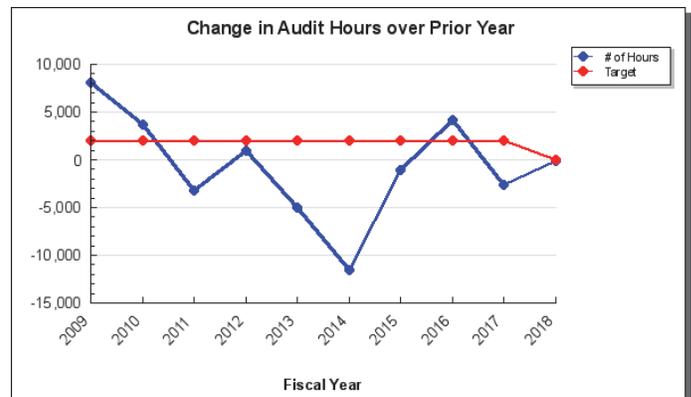
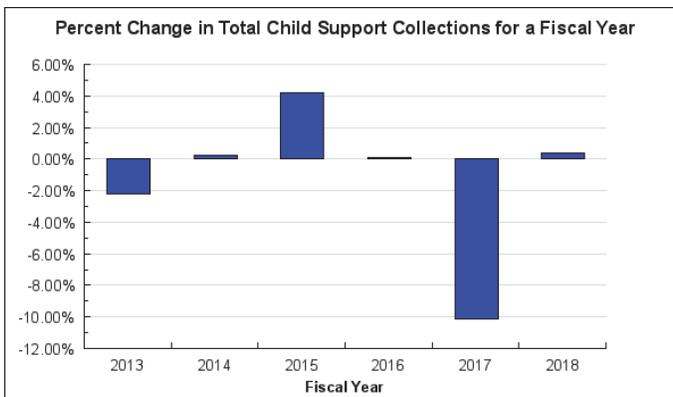
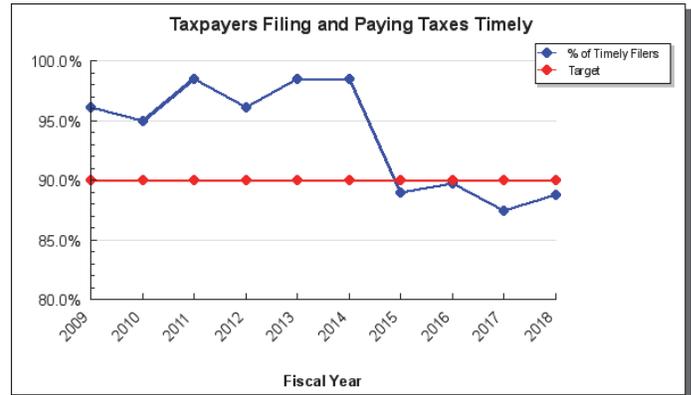
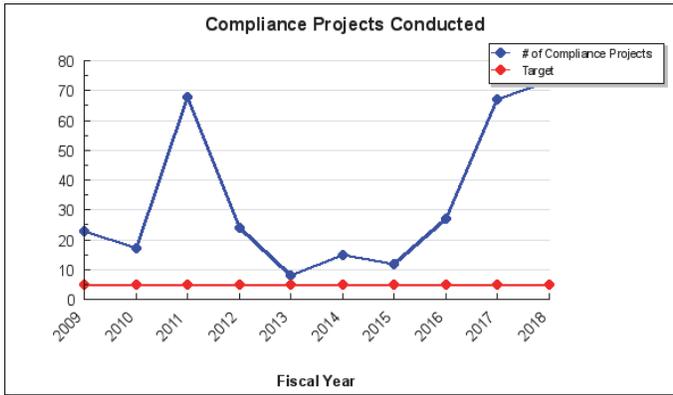
The mission of the Department of Revenue is to collect, distribute and invest funds for public purposes. Alaska Constitution Article 9; AS 25.27, AS 37, AS 43

	Core Services (in priority order)	UGF	DGF	Other	Fed	Total	PFT	PPT	NP	% GF
1	Funds Collection	18,082.1	922.0	21,923.3	41,632.6	82,560.0	410	10	7	68.2%
2	Funds Distribution	4,168.4	870.1	29,228.6	29,868.0	64,135.1	283	18	6	18.1%
3	Funds Investment	2,536.1	305.7	239,511.9	8,071.0	250,424.7	132	5	4	10.2%
4	Safety for Alaskans	500.8	500.0	413.3	0.0	1,414.1	7	0	0	3.6%
	FY2019 Management Plan	25,287.4	2,597.8	291,077.1	79,571.6	398,533.9	832	33	17	

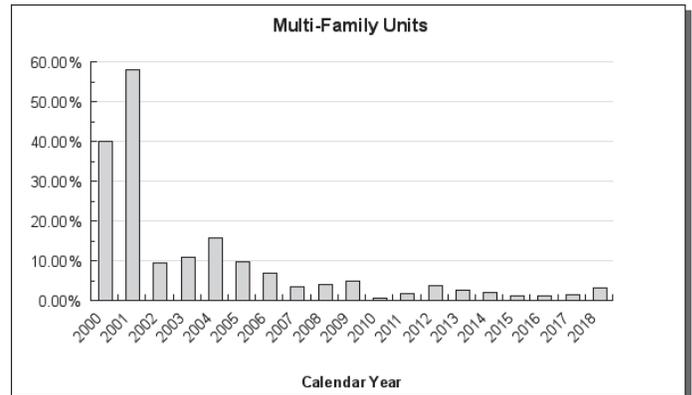
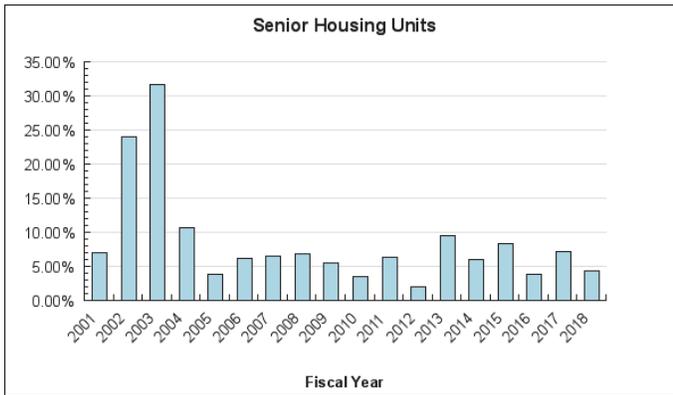
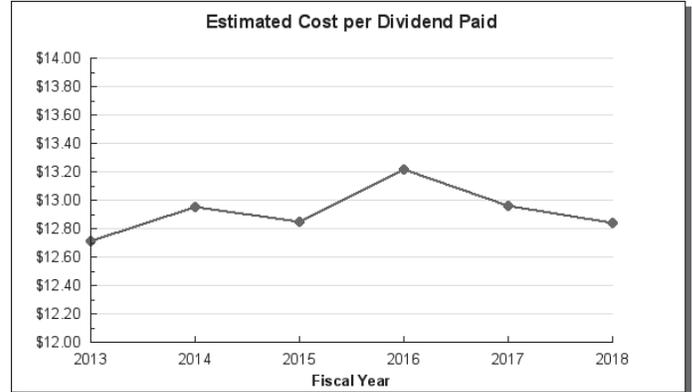
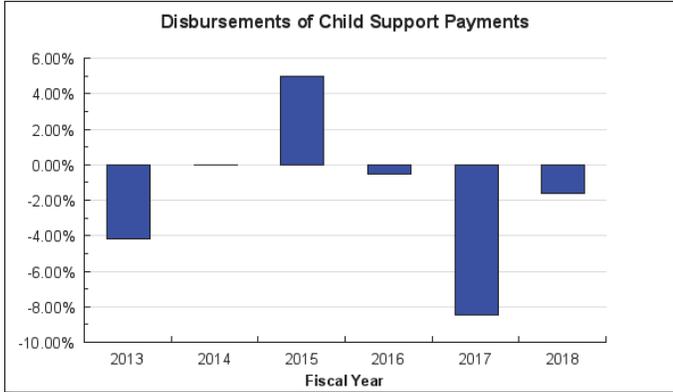
Measures by Core Service

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

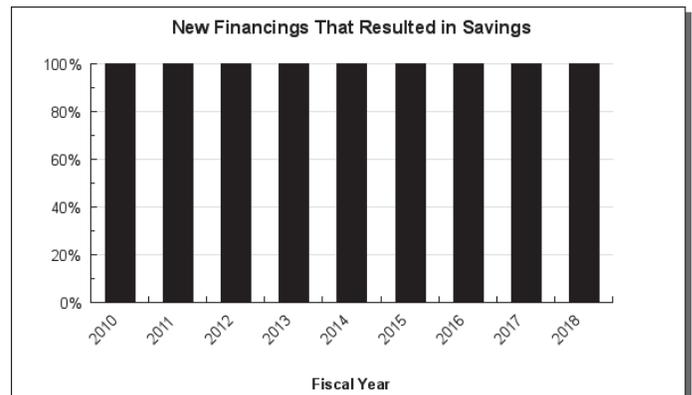
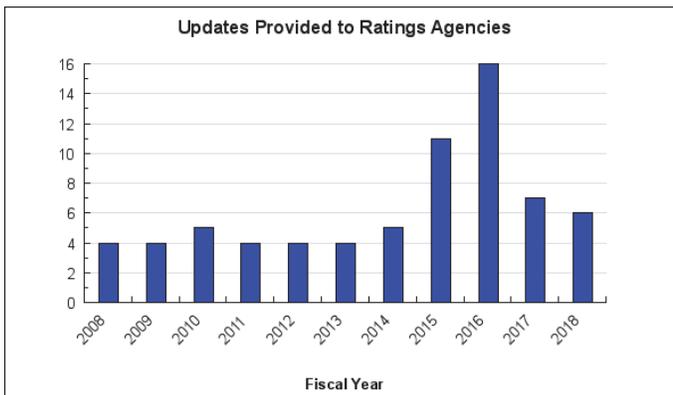
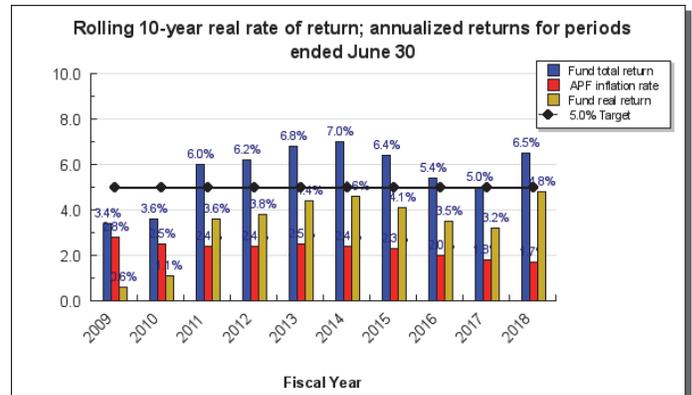
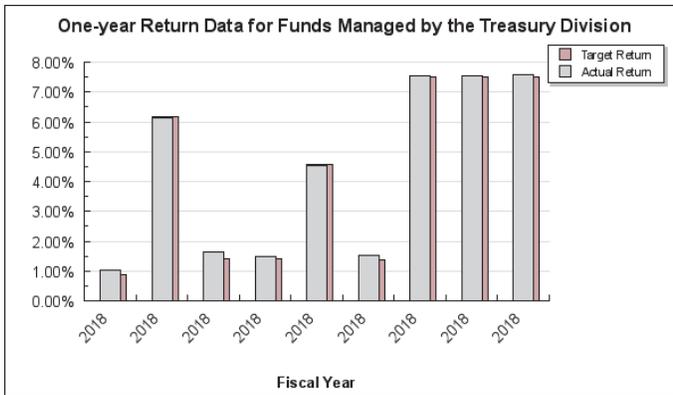
1. Funds Collection



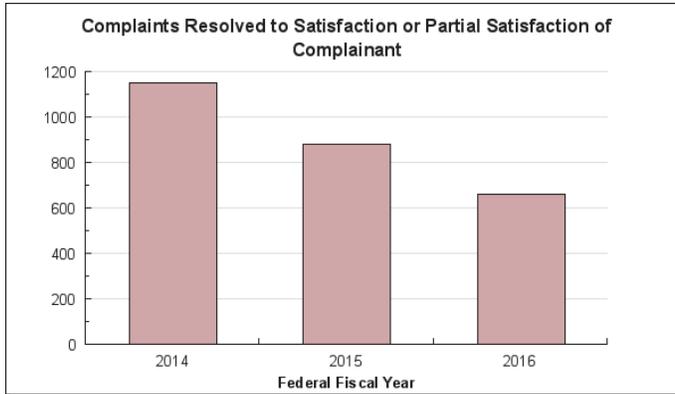
2. Funds Distribution



3. Funds Investment



4. Safety for Alaskans



Major Department Accomplishments in 2018

Funds Collection

- Total collections in FY2018 were approximately \$106 million, of which \$8 million was collected in Temporary Assistance for Needy Families reimbursement for the State of Alaska and the federal government. \$98 million was collected for families.
- 96 criminal child support cases were accepted for prosecution by the Office of Special Prosecution in FY2018 up slightly from a previous Department-high of 90 cases in FY2016.

Funds Distribution

- Tax Division distributed shared taxes and fees of approximately \$51.4 million to 124 communities throughout Alaska.
- Electronic customer service improvements were implemented, including online appointment scheduling, credit card payments, and an employer reporting portal.
- Permanent Fund Dividend Division completed eligibility determinations on over 93% of the 669,992 applications received prior to the first payment distribution of dividends on October 4th.

Funds Investment

- 24 of the 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 Funds.
- The Public Employee Retirement System (PERS) and Teacher Retirement System (TRS) defined benefit retirement plans earned annual net returns above their benchmark returns in 2018. The 5-year net returns also exceeded their benchmarks.
- Permanent Fund's total rate of return for the 10-year period ended June 30, 2018 was 6.5 percent, ahead of the benchmark return of 5.9 percent.
- The Bond Bank sold one bond series in FY 2018, to fund a \$31.2 million loan to the Kenai Peninsula Borough for capital improvements to their Central Peninsula Hospital. The Bond Bank loan is estimated to have saved

the Borough \$3.4 million.

- Although the program is closed for new enrollment, AHFC's Home Energy Rebate Program provided 140 New Home Energy Rebates (\$1,112,000) and 1,080 Existing Home Energy Rebates (\$7,024,689.59).

Safety for Alaskans

- The Long Term Care Ombudsman's (LTCO) Office made unannounced visits to 987 facilities to monitor conditions and resolve complaints.
- The LTCO provided consultation to 215 providers of long-term care services.

Key Department Challenges

Funds Collection

- Accurately evaluate 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 estimate oil and gas revenues in light of the highly volatile oil and gas market coupled with uncertainties in the U.S. and global economies.

Funds Distribution

- Meeting stringent federal requirements for data reliability to achieve the highest possible federal incentive payments and avoid possible penalties to the Department of Revenue and the Department of Health and Social Services, Division of Public Assistance.
- PFD Division completed the 2019 online application with significant upgrades that will reduce follow-up contact with applicants, increase online filing by eliminating electronic access roadblocks, and include the new Education Raffle as one of the optional giving opportunities. The modern application framework will increase the division's ability to make significant and more frequent changes throughout the filing season, if necessary. Updating the application will also create a more inclusive filing process that is displayed in a modern layout, improving the user's overall experience.

Funds Investment

- Managing investment risk during market volatility and increasing interest rates.
- State assets managed by Treasury staff, including the GeFONSI and the Constitutional Budget Reserve Fund, totaled \$8.3 billion at June 30, 2018; bringing total assets managed by Treasury to \$41 billion. Market volatility, increasingly complex and growing investment mandates continue to provide investment challenges.
- Maintaining corporate best practices and necessary due diligence for a growing fund and asset allocation.
- Maintaining the Bond Bank's credit ratings. Regular communication and explanation of the Bond Bank's security structure, in combination with updates on the current events at the State of Alaska to the rating analysts are key to meeting this challenge. As of October 26, 2018, Fitch and S&P rate the main program of the Bond Bank at 'AA-' just one notch off the State of Alaska's general obligation bond credit rating. During fiscal year 2018, Moody's upgraded the Bond Bank's credit rating while S&P and Fitch downgraded the Bond Bank. All three ratings agencies revised the Bond Bank's outlook to stable from negative.
- Continue to develop partnering initiatives to leverage funds from private corporations, foundations, and other funding sources for Mental Health Trust beneficiary related programs.

Safety for Alaskans

- To recruit, train, supervise, and retain an adequate number of volunteer ombudsmen to make unannounced visits to facilities statewide. In the last year, the number of volunteers increased from 33 to 39.

Significant Changes in Results to be Delivered in FY2020

- No changes in results to be delivered.

Contact Information	
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FY2020 Capital Budget Request

Project Title	Unrestricted Gen (UGF)	Designated Gen (DGF)	Other Funds	Federal Funds	Total Funds
MH: Housing - Grant 604 Department of Corrections Discharge Incentive Grants	0	0	100,000	0	100,000
AHFC Cold Climate Housing Research Center (CCHRC)	1,000,000	0	0	0	1,000,000
MH: AHFC Beneficiary and Special Needs Housing	3,500,000	0	200,000	0	3,700,000
AHFC Competitive Grants for Public Housing	350,000	0	0	750,000	1,100,000
AHFC Federal and Other Competitive Grants	1,500,000	0	0	6,000,000	7,500,000
MH: AHFC Homeless Assistance Program	7,200,000	0	950,000	0	8,150,000
AHFC Housing and Urban Development Capital Fund Program	0	0	0	2,500,000	2,500,000
AHFC Housing and Urban Development Federal HOME Grant	750,000	0	0	4,000,000	4,750,000
AHFC Rental Assistance for Victims - Empowering Choice Housing Program (ECHP)	1,500,000	0	0	0	1,500,000
AHFC Teacher, Health and Public Safety Professionals Housing	1,750,000	0	500,000	0	2,250,000
AHFC Senior Citizens Housing Development Program	1,750,000	0	0	0	1,750,000
AHFC Supplemental Housing Development Program	3,000,000	0	0	0	3,000,000
Department Total	22,300,000	0	1,750,000	13,250,000	37,300,000

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Summary of Department Budget Changes by RDU

From FY2019 Management Plan to FY2020 Governor

All dollars shown in thousands

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
FY2019 Management Plan	25,287.4	2,597.8	291,077.1	79,571.6	398,533.9
Adjustments which get you to start of year:					
-Taxation and Treasury	4.4	0.0	0.0	0.0	4.4
One-time items:					
-Taxation and Treasury	-44.3	0.0	0.0	0.0	-44.3
-Child Support Services	-2.9	0.0	0.0	-5.6	-8.5
-Mental Health Trust Authority	-31.5	0.0	-3,867.4	0.0	-3,898.9
Adjustments which continue current level of service:					
-Taxation and Treasury	185.7	25.7	378.1	0.0	589.5
-Child Support Services	182.1	0.0	0.0	344.6	526.7
-Administration and Support	8.8	0.0	19.9	12.6	41.3
-Mental Health Trust Authority	0.4	0.0	4,135.5	0.0	4,135.9
-AK Municipal Bond Bank Auth	0.0	0.0	2.7	0.0	2.7
Proposed budget increases:					
-Taxation and Treasury	1,677.3	0.0	1,095.4	0.0	2,772.7
-Administration and Support	6.6	0.0	0.0	0.0	6.6
-Alaska Housing Finance Corp	0.0	0.0	0.0	500.0	500.0
-AK Permanent Fund Corporation	0.0	0.0	8,378.7	0.0	8,378.7
Proposed budget decreases:					
-AK Permanent Fund Corporation	0.0	0.0	-170.4	0.0	-170.4
FY2020 Governor	27,274.0	2,623.5	301,049.6	80,423.2	411,370.3

Department Totals
Department of Revenue

Description	FY2018 Actuals	FY2019 Conference Committee	FY2019 Authorized	FY2019 Management Plan	FY2020 Governor	FY2019 Management Plan vs FY2020 Governor	
Department Totals	312,213.5	398,601.6	398,533.9	398,533.9	411,370.3	12,836.4	3.2%
Objects of Expenditure:							
71000 Personal Services	95,772.7	104,016.4	104,046.2	103,735.3	108,618.8	4,883.5	4.7%
72000 Travel	1,393.4	2,370.2	2,445.2	2,537.5	2,508.8	-28.7	
73000 Services	174,764.3	248,570.7	251,901.1	252,119.7	259,633.9	7,514.2	3.0%
74000 Commodities	2,619.8	2,963.5	3,588.5	3,588.5	3,505.9	-82.6	-2.3%
75000 Capital Outlay	354.8	752.9	752.9	752.9	802.9	50.0	6.6%
77000 Grants, Benefits	37,308.5	35,800.0	35,800.0	35,800.0	36,300.0	500.0	1.4%
78000 Miscellaneous	0.0	4,127.9	0.0	0.0	0.0	0.0	0.0%
Funding Source:							
1002 Fed Rcpts (Fed)	73,092.5	76,388.7	76,384.2	76,384.2	77,223.2	839.0	1.1%
1003 G/F Match (UGF)	7,022.6	7,293.8	7,297.2	7,297.2	7,471.7	174.5	2.4%
1004 Gen Fund (UGF)	16,338.2	17,437.6	17,489.4	17,489.4	19,332.6	1,843.2	10.5%
1005 GF/Prgrm (DGF)	1,554.6	1,738.1	1,738.1	1,738.1	1,762.8	24.7	1.4%
1007 I/A Rcpts (Other)	10,241.5	9,841.6	9,821.3	9,821.3	10,292.6	471.3	4.8%
1016 Fed Incent (Fed)	1,600.0	1,800.0	1,800.0	1,800.0	1,800.0	0.0	0.0%
1017 Ben Sys (Other)	7,362.3	26,845.5	26,845.5	26,845.5	27,238.2	392.7	1.5%
1027 Int Airprt (Other)	28.5	34.7	34.7	34.7	38.6	3.9	11.2%
1029 P/E Retire (Other)	5,085.2	22,305.0	22,305.0	22,305.0	22,520.8	215.8	1.0%
1034 Teach Ret (Other)	2,976.2	10,371.7	10,371.7	10,371.7	10,498.0	126.3	1.2%
1037 GF/MH (UGF)	458.7	500.8	500.8	500.8	469.7	-31.1	-6.2%
1042 Jud Retire (Other)	87.8	367.5	367.5	367.5	369.6	2.1	0.6%
1045 Nat Guard (Other)	12.9	241.2	241.2	241.2	243.3	2.1	0.9%
1050 PFD Fund (Other)	7,634.3	8,323.0	8,323.0	8,323.0	8,510.4	187.4	2.3%
1061 CIP Rcpts (Other)	1,737.7	3,491.4	3,393.3	3,393.3	3,402.8	9.5	0.3%
1066 Pub School (Other)	120.1	125.5	125.5	125.5	204.6	79.1	63.0%
1092 MHTAAR (Other)	33.7	0.0	0.0	0.0	0.0	0.0	0.0%
1094 MHT Admin (Other)	3,332.6	4,135.3	4,135.3	4,135.3	4,403.2	267.9	6.5%
1103 AHFC Rcpts (Other)	31,237.7	35,438.7	35,438.7	35,438.7	35,438.7	0.0	0.0%
1104 MBB Rcpts (Other)	498.3	901.6	901.6	901.6	904.3	2.7	0.3%
1105 PFund Rcpt (Other)	140,021.9	168,667.8	168,667.8	168,667.8	176,879.5	8,211.7	4.9%
1108 Stat Desig (Other)	0.0	105.0	105.0	105.0	105.0	0.0	0.0%
1133 CSSD Reimb (Fed)	985.5	1,387.4	1,387.4	1,387.4	1,400.0	12.6	0.9%
1169 PCE Endow (DGF)	250.7	359.7	359.7	359.7	360.7	1.0	0.3%
1180 Alcohol Fd (DGF)	500.0	500.0	500.0	500.0	500.0	0.0	0.0%

Department Totals
Department of Revenue

Description	FY2018 Actuals	FY2019 Conference Committee	FY2019 Authorized	FY2019 Management Plan	FY2020 Governor	FY2019 Management Plan vs FY2020 Governor	
Totals:							
Unrestricted Gen (UGF)	23,819.5	25,232.2	25,287.4	25,287.4	27,274.0	1,986.6	7.9%
Designated Gen (DGF)	2,305.3	2,597.8	2,597.8	2,597.8	2,623.5	25.7	1.0%
Other Funds	210,410.7	291,195.5	291,077.1	291,077.1	301,049.6	9,972.5	3.4%
Federal Funds	75,678.0	79,576.1	79,571.6	79,571.6	80,423.2	851.6	1.1%
Positions:							
Permanent Full Time	822	833	833	832	837	5	0.6%
Permanent Part Time	34	33	33	33	33	0	0.0%
Non Permanent	16	16	16	17	17	0	0.0%

Component Summary Unrestricted General Funds Only
Department of Revenue

Results Delivery Unit/ Component	FY2018 Actuals	FY2019 Conference Committee	FY2019 Authorized	FY2019 Management Plan	FY2020 Governor	FY2019 Management Plan vs FY2020 Governor	
Taxation and Treasury							
Tax Division	13,044.6	13,442.2	13,472.0	13,472.0	15,419.0	1,947.0	14.5%
Treasury Division	2,239.1	2,860.6	2,860.6	2,860.6	2,751.7	-108.9	-3.8%
Permanent Fund Dividend Division	0.0	0.0	30.0	30.0	15.0	-15.0	-50.0%
RDU Totals:	15,283.7	16,302.8	16,362.6	16,362.6	18,185.7	1,823.1	11.1%
Child Support Services							
Child Support Services	7,424.0	7,767.3	7,770.7	7,770.7	7,949.9	179.2	2.3%
RDU Totals:	7,424.0	7,767.3	7,770.7	7,770.7	7,949.9	179.2	2.3%
Administration and Support							
Commissioner's Office	134.7	134.7	134.7	134.7	134.7	0.0	0.0%
Administrative Services	518.4	526.6	518.6	518.6	534.0	15.4	3.0%
RDU Totals:	653.1	661.3	653.3	653.3	668.7	15.4	2.4%
Alaska Mental Health Trust Authority							
Long Term Care Ombudsman Office	458.7	500.8	500.8	500.8	469.7	-31.1	-6.2%
RDU Totals:	458.7	500.8	500.8	500.8	469.7	-31.1	-6.2%
Unrestricted Gen (UGF):	23,819.5	25,232.2	25,287.4	25,287.4	27,274.0	1,986.6	7.9%
Designated Gen (DGF):	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Other Funds:	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Federal Funds:	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Total Funds:	23,819.5	25,232.2	25,287.4	25,287.4	27,274.0	1,986.6	7.9%

Component Summary All Funds
Department of Revenue

Results Delivery Unit/ Component	FY2018 Actuals	FY2019 Conference Committee	FY2019 Authorized	FY2019 Management Plan	FY2020 Governor	FY2019 Management Plan vs FY2020 Governor	
Taxation and Treasury							
Tax Division	14,012.9	15,297.1	15,228.8	15,228.8	17,203.5	1,974.7	13.0%
Treasury Division	7,957.0	9,986.3	9,986.3	9,986.3	10,478.9	492.6	4.9%
Unclaimed Property	451.8	523.8	523.8	523.8	530.9	7.1	1.4%
AK Retirement Management Board	8,891.2	10,032.9	10,032.9	10,032.9	10,705.6	672.7	6.7%
ARM Custody and Mgt Fees	6,539.5	50,000.0	50,000.0	50,000.0	50,000.0	0.0	0.0%
Permanent Fund Dividend Division	7,948.7	8,716.3	8,746.3	8,746.3	8,921.5	175.2	2.0%
RDU Totals:	45,801.1	94,556.4	94,518.1	94,518.1	97,840.4	3,322.3	3.5%
Child Support Services							
Child Support Services	23,537.8	25,627.8	25,626.7	25,626.7	26,144.9	518.2	2.0%
RDU Totals:	23,537.8	25,627.8	25,626.7	25,626.7	26,144.9	518.2	2.0%
Administration and Support							
Commissioner's Office	1,934.8	917.6	917.6	917.6	917.6	0.0	0.0%
Administrative Services	2,700.8	2,785.7	2,757.4	2,757.4	2,801.6	44.2	1.6%
Criminal Investigations Unit	0.0	415.9	415.9	415.9	419.6	3.7	0.9%
RDU Totals:	4,635.6	4,119.2	4,090.9	4,090.9	4,138.8	47.9	1.2%
Alaska Mental Health Trust Authority							
Mental Health Trust Operations	3,962.6	4,665.3	4,665.3	4,665.3	4,933.2	267.9	5.7%
Long Term Care Ombudsman Office	880.8	914.1	914.1	914.1	883.2	-30.9	-3.4%
RDU Totals:	4,843.4	5,579.4	5,579.4	5,579.4	5,816.4	237.0	4.2%
Alaska Municipal Bond Bank Authority							
AMBBA Operations	498.3	1,006.6	1,006.6	1,006.6	1,009.3	2.7	0.3%
RDU Totals:	498.3	1,006.6	1,006.6	1,006.6	1,009.3	2.7	0.3%
Alaska Housing Finance Corporation							
AHFC Operations	92,738.8	98,659.5	98,659.5	98,659.5	99,159.5	500.0	0.5%
AK Corp for Affordable Housing	230.7	479.4	479.4	479.4	479.4	0.0	0.0%
RDU Totals:	92,969.5	99,138.9	99,138.9	99,138.9	99,638.9	500.0	0.5%
Alaska Permanent Fund Corporation							
APFC Operations	11,689.4	18,074.6	18,074.6	18,074.6	176,781.6	158,707.0	878.1%
APFC Investment Management Fees	128,238.4	150,498.7	150,498.7	150,498.7	0.0	-150,498.7	-100.0%
RDU Totals:	139,927.8	168,573.3	168,573.3	168,573.3	176,781.6	8,208.3	4.9%
Unrestricted Gen (UGF):	23,819.5	25,232.2	25,287.4	25,287.4	27,274.0	1,986.6	7.9%
Designated Gen (DGF):	2,305.3	2,597.8	2,597.8	2,597.8	2,623.5	25.7	1.0%
Other Funds:	210,410.7	291,195.5	291,077.1	291,077.1	301,049.6	9,972.5	3.4%
Federal Funds:	75,678.0	79,576.1	79,571.6	79,571.6	80,423.2	851.6	1.1%
Total Funds:	312,213.5	398,601.6	398,533.9	398,533.9	411,370.3	12,836.4	3.2%
Permanent Full Time:	822	833	833	832	837	5	0.6%
Permanent Part Time:	34	33	33	33	33	0	0.0%
Non Permanent:	16	16	16	17	17	0	0.0%
Total Positions:	872	882	882	882	887	5	0.6%