



32nd Alaska State Legislature
House Finance Budget Subcommittee
Department of Revenue
FY22 Operating Budget

March 22, 2021

Chair:

Rep. Adam Wool
Capitol Room 501
465-6959

Members:

Rep. Fields
Capitol Room 24

Rep. Spohnholz
Capitol Room 406

Rep. Schrage
Capitol Room 104

Rep. Snyder
Capitol Room 421

Rep. Nelson
Capitol Room 13

Rep. Kaufman
Capitol Room 405

Rep. McCarty
Capitol Room 428

Rep. Rasmussen
Capitol Room 418

Committee Aide:

Ken Alper
465-6879

BUDGET CLOSEOUT NARRATIVE

The House Finance Budget Subcommittee for the Department of Revenue submits the following recommended operating budget for FY2022 to the House Finance Committee:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$25,822.7
Designated General Funds (DGF)	\$3,781.5
Other Funds	\$259,707.5
Federal Funds	\$78,998.6
Total	\$368,310.3

The Unrestricted General Fund difference from the FY2021 Adjusted Base to the House Subcommittee budget recommendation is a decrease of \$2,041.6 thousand, or 7.3%. The All Funds difference from FY2021 Adjusted Base is a decrease of \$5,888.5 thousand, or 1.6%.

Positions:

Permanent Full-time	818
Permanent Part-time	24
<u>Temporary</u>	<u>17</u>
Total	859

This represents a net decrease of two full time positions, reflecting the deletion of three positions and the addition of one new position.

BUDGET ACTION

The House Finance Budget Subcommittee for the Department of Revenue reviewed the FY2022 budget request, including amendments proposed by committee members. They recommend approval of the proposed budget without amendment.

However, committee discussion raised several issues that they hope will be addressed by the full Finance Committee and as the budget bills continue to work through the legislative process. These include:

- The Tax Division made a compelling case that additional auditor positions, particularly in the Corporate Income Tax section, can

bring in additional revenue through increased audit assessments that greatly exceeds the cost of the new positions. The two new auditors added in FY2018, which have to date cost about \$700,000, have produced about \$12 million in additional tax assessment. Because the subcommittee did not want to add general funds to the budget, no positions were added at the subcommittee level. However, the finance committee should consider the potential net fiscal benefit of adding one or more auditors to the division.

- There was concern that the Permanent Fund Corporation's incentive compensation program, at the level funded, could potentially be inequitably distributed if the higher-level investment officers receive bonuses at the full allowable level. To maximize the reach of the program, it may be appropriate to limit the size of bonuses to a fixed amount per individual.

ATTACHED REPORTS

The House Finance Budget Subcommittee for the Legislature adopts the attached reports:

1. Agency Totals
2. Transaction Compare FY21AdjBase
3. Transaction Compare FY22GovAmd
4. Wordage

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Adam Wool". The signature is fluid and cursive, with the first name "Adam" and last name "Wool" clearly distinguishable.

Representative Adam Wool
House Finance Budget Subcommittee for the Department of Revenue