

Short Fiscal Summary - FY22/FY23 Budget

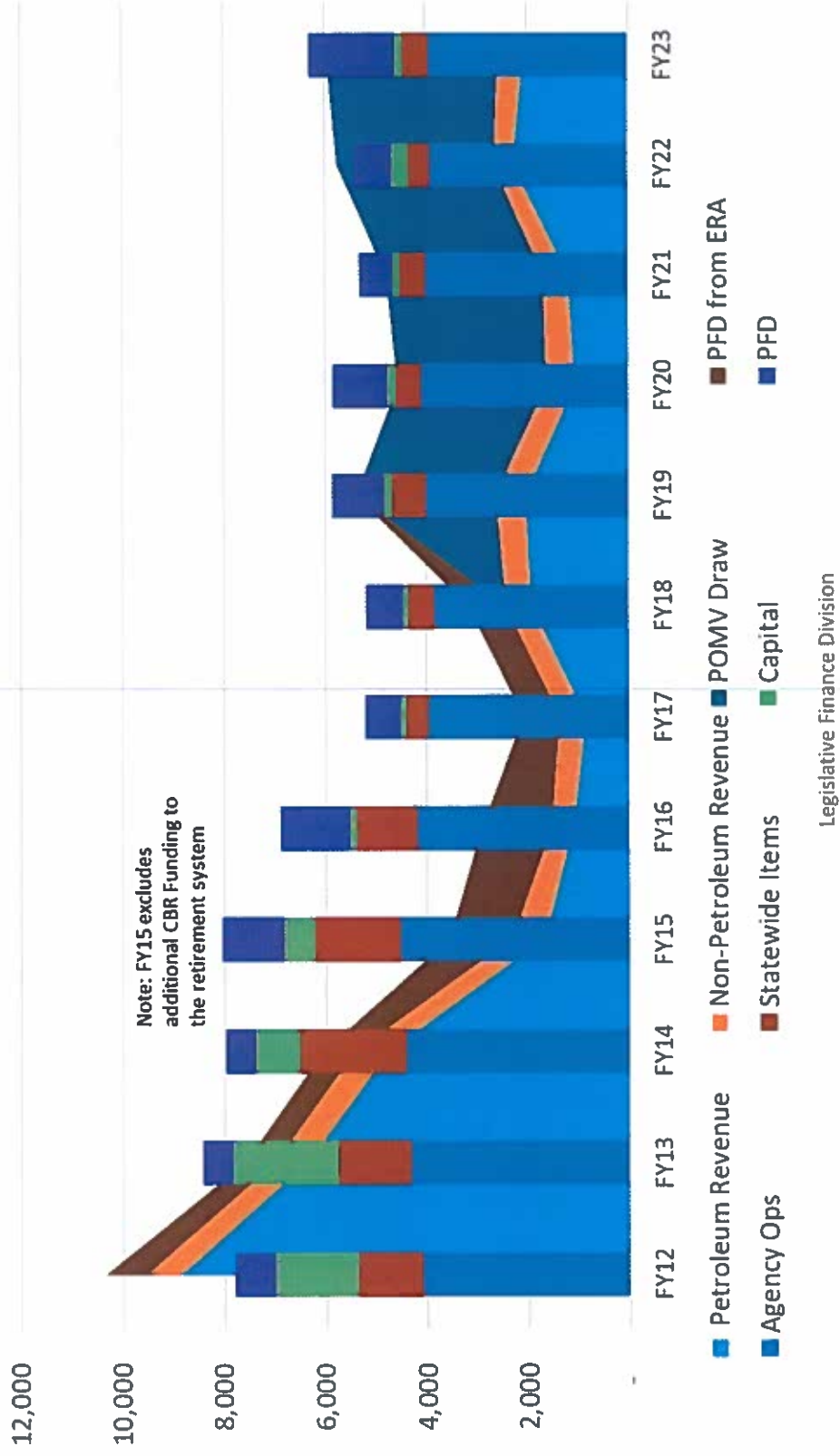
	(\$ Millions) (Non-duplicated Funds)	FY22 Budget		FY23 Governor		Change in UGF	
		UGF	UGF	UGF	UGF		
1	Revenue		5,744.0		5,937.8	193.8	3%
2	UGF Revenue (Fall 2021 Forecast)		2,662.7		2,577.2	(85.5)	-3%
3	POMV Draw		3,069.3		3,360.6	291.3	9%
4	Misc/Adjust/Non-UGF Revenue		12.0		-	(12.0)	
5	Appropriations		6,245.9		6,286.1	40.3	1%
6	Operating Budget		4,375.3		4,451.1	75.8	2%
7	Agency Operations		3,919.3		3,933.6	14.3	0%
8	Statewide Items		414.0		517.6	103.6	25%
9	Supplemental Appropriations		42.1		-	(42.1)	
10	Capital Budget		335.9		154.7	(181.2)	-54%
11	Current Year Appropriations		242.9		154.7	(88.2)	-36%
12	Supplemental Appropriations		93.0		-	(93.0)	
13	Permanent Fund		1,534.6		1,680.3	145.6	9%
14	Permanent Fund Dividends		739.0		1,680.3	941.2	127%
15	Supplemental Permanent Fund Dividend		795.6		-		
16	Inflation Proofing/Other Deposits*		-		-		
17	Pre-Transfer Surplus/(Deficit)		(501.9)		(348.4)		
18	Statutory Budget Reserve		(410.7)		-		
19	American Rescue Plan Act (ARPA)		(250.0)		(375.4)		
20	Other Fund Transfers		14.6		0.3		
21	Post-Transfer Surplus/(Deficit)		144.2		26.7		

Reserve Balances (EOY)	
	FY23
SBR	-
CBR	1,218.2
ERA	15,613.8

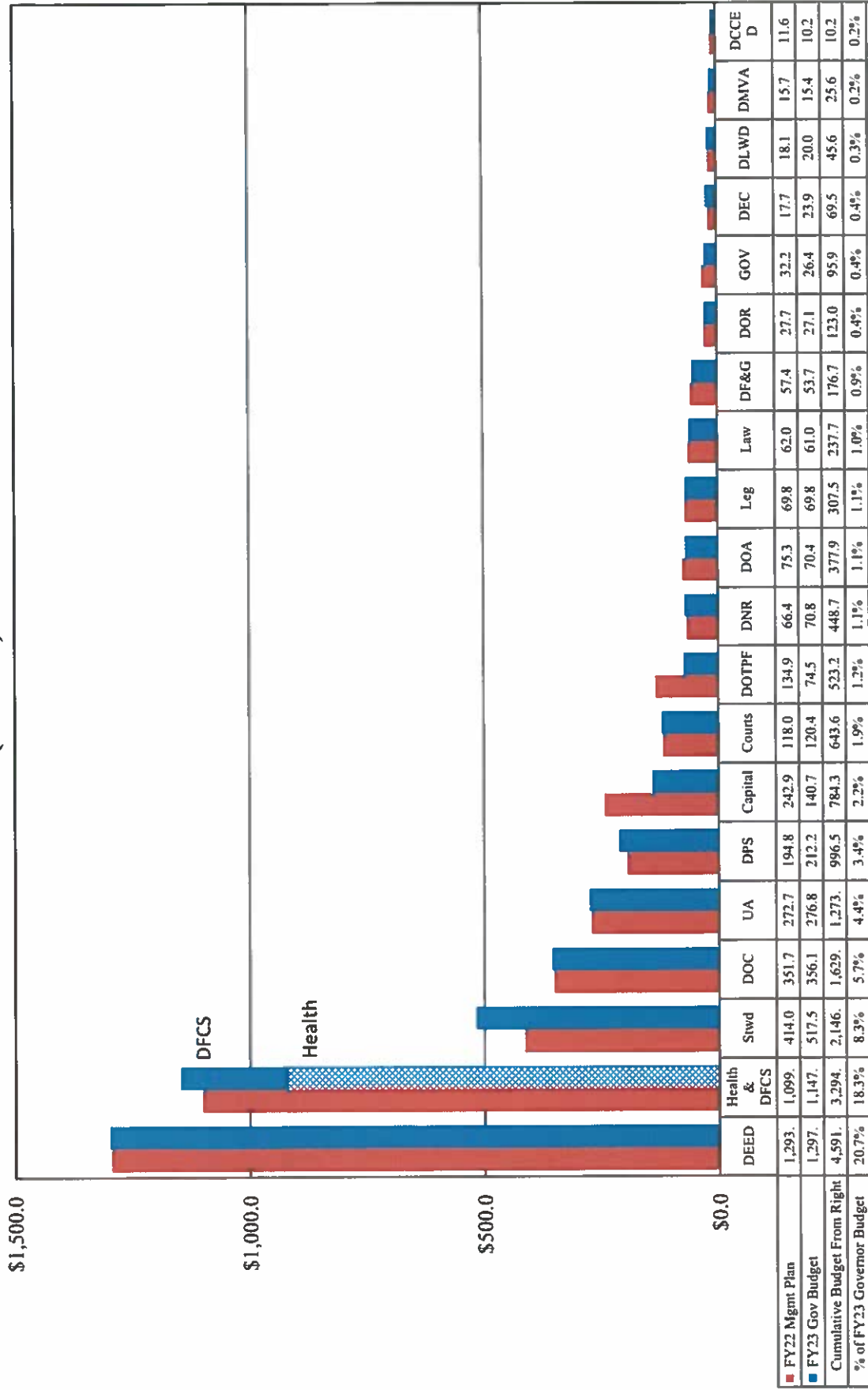
January 7, 2022

* In FY22 there is an appropriation to transfer \$4 billion from the Permanent Fund earnings reserve account to principal. In FY23 there is an appropriation to transfer \$1.039 billion from the Permanent Fund earnings reserve account to principal for inflation proofing.

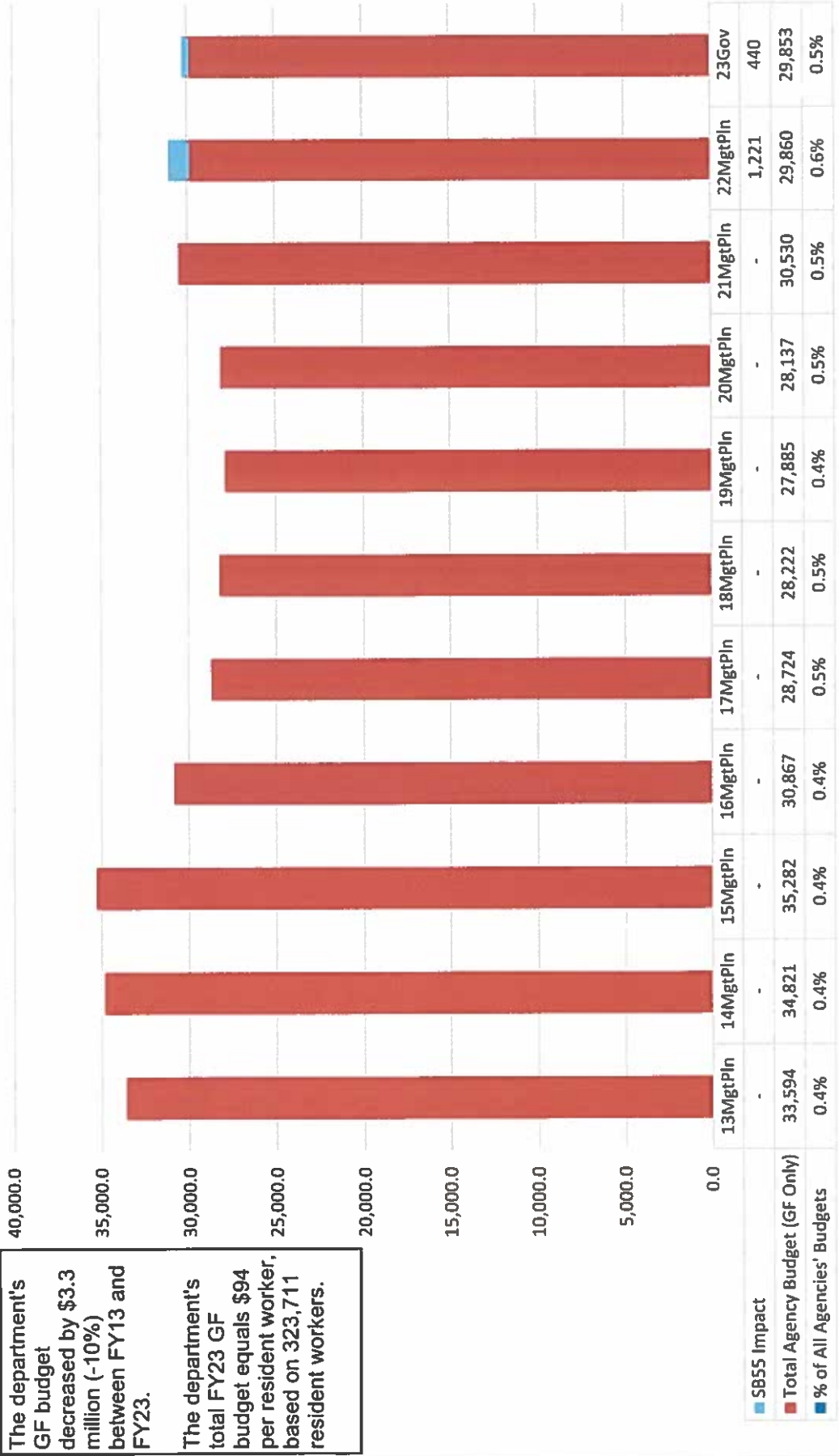
UGF Budget & Revenue, FY12-F23 (\$millions)



Swoop Graph - UGF Only FY23 Governor Compared to FY22 Management Plan (Millions)



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



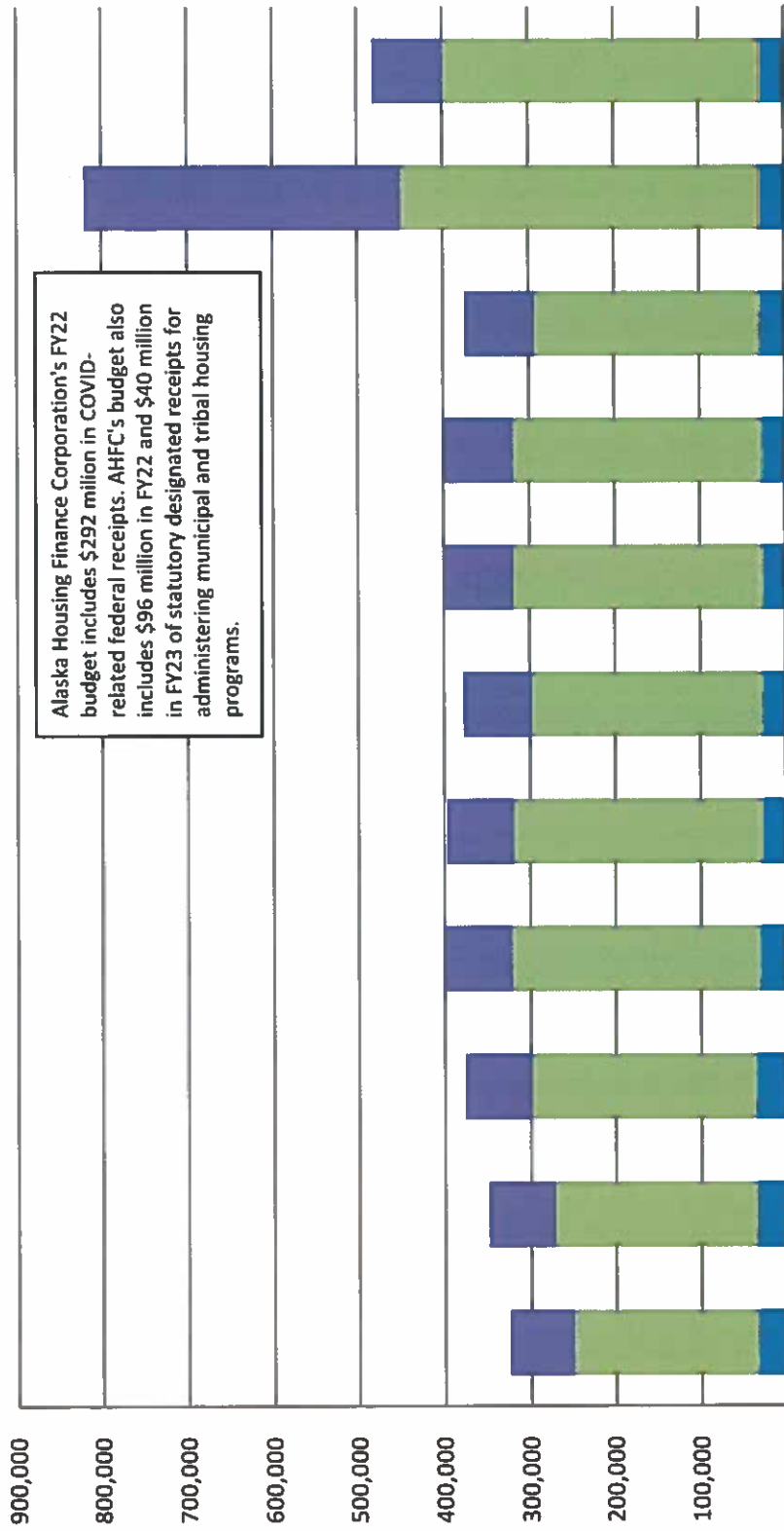
The department's GF budget decreased by \$3.3 million (-10%) between FY13 and FY23.

The department's total FY23 GF budget equals \$94 per resident worker, based on 323,711 resident workers.

Department of Revenue Total Funding Comparison by Fund Group

(All Funds)
(\$ Thousands)

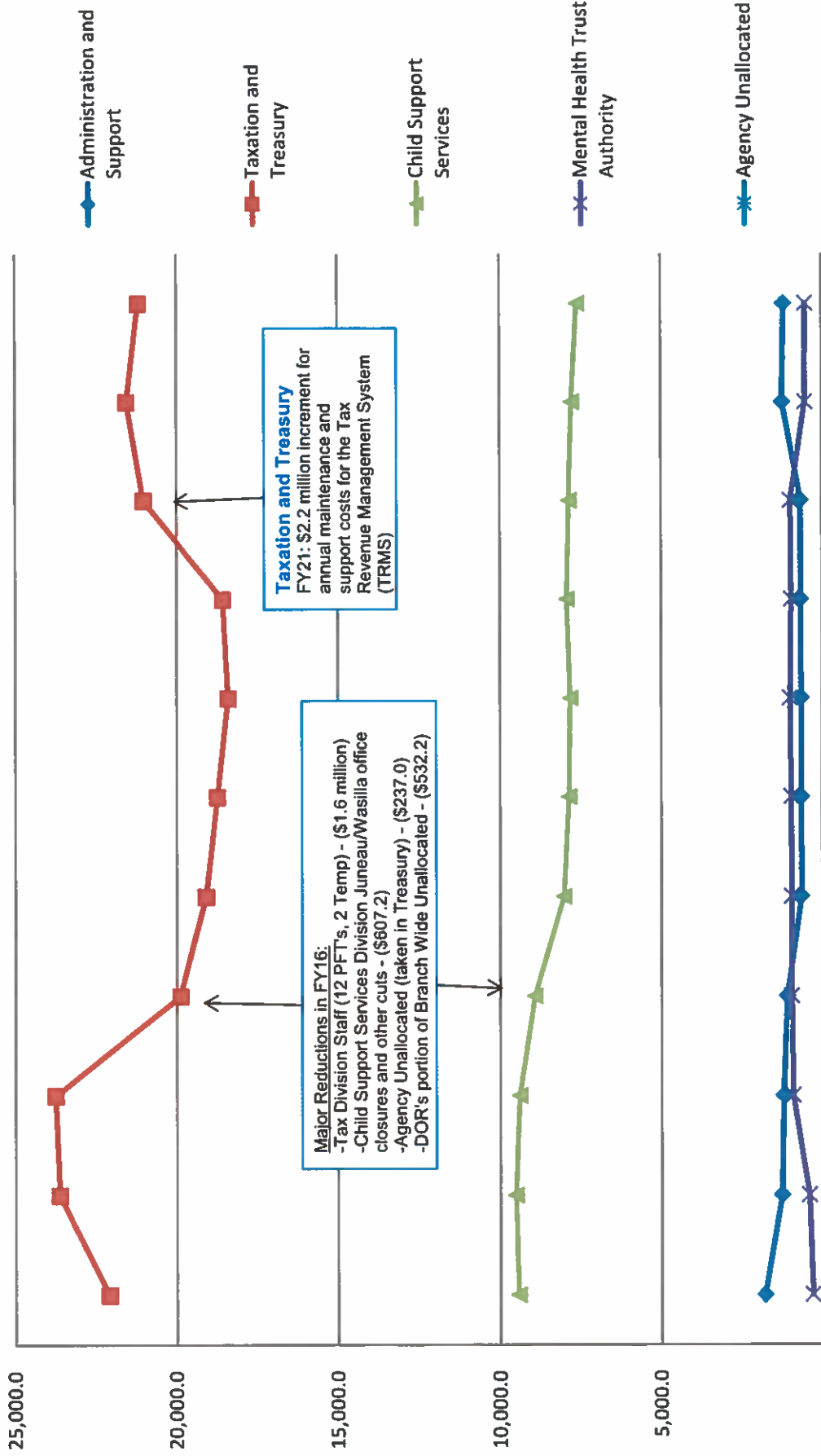
Between FY13 MgmtPln and 23Gov:
 --UGF decreased by \$5.2 million (-16%)
 --DGF increased by \$1.9 million (147%)
 --Other Funds increased by \$153.3 million (71%)
 --Federal Receipts increased by \$7.1 million (9%)



Alaska Housing Finance Corporation's FY22 budget includes \$292 million in COVID-related federal receipts. AHFC's budget also includes \$96 million in FY22 and \$40 million in FY23 of statutory designated receipts for administering municipal and tribal housing programs.

Appropriations within Department of Revenue

(GF Only)
(\$ Thousands)



Taxation and Treasury
FY21: \$2.2 million increase for annual maintenance and support costs for the Tax Revenue Management System (TRMS)

Major Reductions in FY16:
 -Tax Division Staff (12 PFT's, 2 Temp) - (\$1.6 million)
 -Child Support Services Division Juneau/Wasilla office closures and other cuts - (\$607.2)
 -Agency Unallocated (taken in Treasury) - (\$237.0)
 -DOR's portion of Branch Wide Unallocated - (\$532.2)

13MgtPln 14MgtPln 15MgtPln 16MgtPln 17MgtPln 18MgtPln 19MgtPln 20MgtPln 21MgtPln 22MgtPln 23Gov

2022 Legislature - Operating Budget Transaction Compare - Governor Structure Between Adj Base and 23Gov

Numbers and Language Differences Agencies: Rev

Agency: Department of Revenue

		Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	THP
Taxation and Treasury														
Tax Division														
Restore One-Time Fund Source Change to Utilize ARPA Revenue Replacement		23Gov	FndChg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 Gen Fund (UGF)	-10,000.0													
1271 ARPA Rev R (UGF)	10,000.0													
* Allocation Difference *				0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Treasury Division

Exempt Salary Increase

The Treasury Division manages \$50 billion on behalf of State entities in investments, cash, debt, and other services. The Division's work is mission critical, and the benefits are realized in the form of excess returns, external cost savings, and error prevention. The Division currently has significant retention and recruitment risks, and the compensation plan is a systematic way to begin to address this issue. The increase is based on an ongoing peer compensation review that has been in place for years. Increases are for salaries only (bonuses are not contemplated) of exempt staff who have not seen increases in 2-3 years.

The Alaska Retirement Management Board (ARMB) returns have been in the top-third of peer performance and have exceeded benchmarks net of all fees, over most time periods.

This adjustment and the adoption of an annual compensation plan will significantly aid in retention, recruitment, and staff motivation in a competitive labor market. It will also move staff salaries from the 24th percentile to the 36th percentile, making progress toward median per compensation.

1004 Gen Fund (UGF)	174.1
1007 I/A Rcpts (Other)	696.3

Investment Management Resources

Investment tools including Bloomberg API, RECON Function, and Stock Exchange Daily Official List (SEDOL) increase staff efficiency by decreasing manual, remedial tasks for accessing online investment data. This allows staff to focus on achieving high investment returns. These are common investment management tools used throughout the industry.

Historically, to save on costs, programmers have built custom work-around interfaces that serve the purpose of pulling raw data out of Bloomberg and transferring it into a usable format for analysis. These interfaces are very brittle and have crashed on multiple occasions. It takes significant programmer time to maintain these interfaces. Should these interfaces crash on a particularly volatile trading day, it very well could cost millions in foregone investment earnings and as such this should be viewed as a risk mitigation effort.

1004 Gen Fund (UGF)	50.0
1007 I/A Rcpts (Other)	200.0

Restore Public School Trust Fund Authority

Restore use of the Public School Trust Fund for management of invested balances.

1066 Pub School (Other)	639.8
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Payment Card Industry (PCI) Compliance

Payment Card Industry (PCI) compliance is required to stop fees being charged to agencies and to ensure that public data is secure. The Treasury Division has an agreement with the Office of Information Technology (OIT) to reimburse it for remediation efforts done by Structured Communication Systems, Inc. (partner of Alaska Communications) needed in response to a previously performed gap analysis.

**2022 Legislature - Operating Budget
Transaction Compare - Governor Structure
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Numbers and Language Differences
Agencies: Rev

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	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	THP
Taxation and Treasury (continued)													
Treasury Division (continued)													
Payment Card Industry (PCI) Compliance (continued)													
1004 Gen Fund (UGF)	23Gov	FndChg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Allocate Investment Fund Authority Based on 10 Basis Points													
The Treasury Division began billing 10 basis points to each of the largest endowments that they manage beginning in the FY2022 budget. Those amounts are adjusted for FY2023 based on increasing fund values in the past fiscal year.													
1004 Gen Fund (UGF)			-402.7										
1027 InuAirport (Other)			60.9										
1066 Pub School (Other)			205.0										
1169 PCE Endow (DGF)			136.8										
Replace Retirement Trust Funds Supporting Cash Management	23Gov	FndChg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
The Treasury Division is funded with a variety of funding sources including retirement trust funds and other State funds. As part of its cost allocation plan, the Division analyzes the level of effort provided to each of these funds on an ongoing basis. It is vital that the State only charge the retirement trusts for the actual level of effort performed on the behalf of those funds. Otherwise, the State may be at risk of violating trust principles. It has been noted that through the cost allocation plan, the cash management function, which largely benefits the agencies and not the retirement trust funds, has billed a majority of its costs to the retirement funds. This fund change reverses that practice and reduces future unrestricted general fund retirement contributions because of the reduced spending from the retirement trusts for cash management.													
1004 Gen Fund (UGF)			685.0										
1007 I/A Rcpts (Other)			-685.0										
Replace Authority Unavailable due to Alaska Constitution Article IX Section 17(d)	23Gov	FndChg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
The enactment of Article IX, Section 17(d) of the Alaska Constitution transferred available balances of funds used by this appropriation to the Constitutional Budget Reserve Fund (CBRF); a process commonly referred to as the "CBR sweep". Budget authority that cannot be satisfied with projected fiscal year 2023 revenue collections are replaced with unrestricted general funds to ensure continuity of service.													
1004 Gen Fund (UGF)			311.2										
1226 High Ed (DGF)			-311.2										
* Allocation Difference *													
			1,860.2	1,040.0	3.4	807.4	9.4	0.0	0.0	0.0	0.0	0.0	0.0

Permanent Fund Dividend Division

Seasonal Dividend Application Scanning and Mail Sorting

23Gov	Inc	72.0	72.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2	0
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The Permanent Fund Dividend (PFD) Division eliminated six seasonal Office Assistants in FY2021 as a result of bringing online a new piece of optical scanning software. Now that the software has been implemented, the error rate is higher than acceptable standards and requires a manual review of applications that have been uploaded into the Division's eligibility system. The backlog of mail created a delay in the dividend file closure between six-eight weeks and required that other division resources be utilized to fill the need. This delay further affected the ability to process eligibility determinations by staff.

2022 Legislature - Operating Budget Transaction Compare - Governor Structure Between Adj Base and 23Gov

Numbers and Language Differences Agencies: Rev

Agency: Department of Revenue

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	THP
Taxation and Treasury (continued)													
Permanent Fund Dividend Division (continued)													
Seasonal Dividend Application Scanning and Mail Sorting (continued)													
The following positions are added:													
Permanent part-time Office Assistant I (04-#030), range 8, located in Juneau													
Permanent part-time Office Assistant I (04-#031), range 8, located in Juneau													
1050 PFD Fund (Other)	23Gov	Inc	2,000.0	0.0	0.0	2,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Applicant Identity Verification													
Protect the integrity of the dividend application process by contracting with a third party to screen all applicant's identity. This process is similar in nature to the Department of Labor and Workforce Development's (DOLWD) Unemployment Insurance identification validation process and is an emerging practice nationwide. We are investigating options to enact a statewide solution which would allow us to leverage federal funds.													
1050 PFD Fund (Other)	23Gov	FndChg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Replace General Funds with Dividend Fund													
General funds are not needed in the Permanent Fund Dividend Division. The Dividend Fund is the main funding source and is most appropriate to replace general funds with.													
1004 Gen Fund (UGF)			-16.5										
1050 PFD Fund (Other)			16.5										
* Allocation Difference *													
** Appropriation Difference **													
Administration and Support													
Commissioner's Office													
Transition a Special Assistant to Executive Secretary	23Gov	Dec	-22.0	-22.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
The Commissioner's Office has lowered operating costs by transitioning a Special Assistant to the Commissioner to an Executive Secretary.													
1007 I/A Rcpts (Other)			-7.5										
1133 CSSD Admin (Fed)			-14.5										
* Allocation Difference *													
** Appropriation Difference **													
Alaska Mental Health Trust Authority													
Mental Health Trust Operations													
Reverse Mental Health Trust Recommendation	23Gov	OTI	-4,340.4	-3,164.2	-82.0	-1,027.2	-67.0	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Mental Health Trust recommendation to reflect zero-based mental health budget.													
1094 MHT Admin (Other)	23Gov	IncM	4,430.3	3,221.6	82.0	1,051.7	75.0	0.0	0.0	0.0	0.0	0.0	0.0
Continualion - Maintain Trust Authority MHT Admin Budget													
The Alaska Mental Health Trust Authority (Trust) administrative budget supports the operation of the Trust office and the Board of Trustees. The Trust is tasked in statute with being trustees of the cash and non-cash assets held by the legal trust, making budget recommendations for the Mental Health Budget Bill, partnering with the Department of Health and Social Services to ensure a Comprehensive Mental Health Program Plan, and providing													

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Numbers and Language Differences Agencies: Rev

	Column	Type	Expenditure	Total	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	THP
Alaska Mental Health Trust Authority (continued)														
Mental Health Trust Operations (continued)														
Continuation - Maintain Trust Authority MHT Admin Budget (continued)														
leadership in Trust beneficiary-related issues. The Trust, a State corporation, is administratively housed in the Department of Revenue.														
1094 MHT Admin (Other)			4,430.3											
* Allocation Difference *				89.9	57.4	0.0	24.5	8.0	0.0	0.0	0.0	0.0	0.0	0.0
** Appropriation Difference **				89.9	57.4	0.0	24.5	8.0	0.0	0.0	0.0	0.0	0.0	0.0
Alaska Housing Finance Corporation														
AHFC Operations														
Reverse FY2022 PERS Actuarial Rate Change to 30.11%	23Gov	Dec	-1,920.5	-1,920.5	-1,920.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
The Alaska Housing Finance Corporation (AHFC) is a separate corporation and does not participate in the increased PERS rate as a result of the passing of SB55. AHFC's PERS rate remains at 22%.														
1002 Fed Rcpts (Fed)			-625.2											
1061 CJP Rcpts (Other)			-108.2											
1103 AHFC Rcpts (Other)			-1,187.1											
Foster Youth to Independence and Emergency Housing Voucher Programs	23Gov	Inc	3,200.0	0.0	0.0	0.0	0.0	0.0	0.0	3,200.0	0.0	0.0	0.0	0.0
Federal grant authority is needed for the Foster Youth to Independence program and the Emergency Housing Voucher Program through the federal Housing and Urban Development (HUD). The Foster Youth to Independence program provides rental assistance in the form of Housing Assistance Payments (HAP) to youth under the age of 25, with a history of child welfare involvement. The Emergency Housing Voucher Program provides rental assistance in the form of Housing Assistance Payments (HAP) to families who are homeless, at risk of homelessness, fleeing a domestic violence situation, or have a high risk of housing instability.														
1002 Fed Rcpts (Fed)			3,200.0											
Designated Program Receipts for Housing (FY23-FY24)	23Gov	MultiYr	40,000.0	0.0	0.0	0.0	0.0	0.0	0.0	40,000.0	0.0	0.0	0.0	0.0
Sec xx. Designated program receipts under AS 37.05.146(b)(3) received by the Alaska Housing Finance Corporation, estimated to be \$40,000,000, for administration of housing and energy programs on behalf of a municipality, tribal housing authority, or other third party are appropriated to the Alaska Housing Finance Corporation for the fiscal years ending June 30, 2023, and June 30, 2024.														
1108 Slat Desig (Other)			40,000.0											
* Allocation Difference *				41,279.5	-1,920.5	0.0	0.0	0.0	0.0	43,200.0	0.0	0.0	0.0	0.0
Alaska Corporation for Affordable Housing														
Reverse FY2022 PERS Actuarial Rate Change to 30.11%	23Gov	Dec	-13.6	-13.6	-13.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
The Alaska Housing Finance Corporation (AHFC) is a separate corporation and does not participate in the increased PERS rate as a result of the passing of SB55. AHFC's PERS rate remains at 22%.														
1002 Fed Rcpts (Fed)			-5.1											
1061 CJP Rcpts (Other)			-8.5											

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		-13.6	-13.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		41,265.9	-1,934.1	0.0	0.0	0.0	0.0	43,200.0	0.0	0.0	0.0	0.0

**Alaska Housing Finance Corporation (continued)
Alaska Corporation for Affordable Housing (continued)**

* Allocation Difference *
** Appropriation Difference **

Alaska Permanent Fund Corporation

APFC Operations
Investment Staff Incentive Compensation Program

23Gov	Inc	710.0	710.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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The incentive compensation program is only available for investment staff and is based on a policy approved by the Board of Trustees. According to the compensation study performed by McLagan for the Alaska Permanent Fund Corporation, most pension, endowment, and sovereign wealth funds offer some type of performance-based compensation to their investment professionals. To avoid inflating salaries in times of good performance, these programs are designed to provide one-time, annual rewards for making high-level contributions to the Fund. An incentive compensation plan is needed to remain competitive with peers. Following the policy passed by the Board, the maximum distribution is estimated to be \$3.2 million. The FY2022 prorated distribution was \$890,000 to qualified investment staff. However, using the FY2021 year-end performance, the actual program distribution would have been approximately \$1.6 million. With this increment, the total incentive compensation program funding will be \$1.6 million.

1105 PF Gross (Other) 710.0
Merit and Cost of Living Adjustment

23Gov	Inc	438.4	438.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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As partially exempt employees, APFC is not subject to annual salary step increases. To acknowledge performing employees, inflation (5.4% as of September 2021), and cost of living (Alaska is among the top six states with the highest cost of living), the adjustment includes 3% for operational staff and 4% for investment staff.

1105 PF Gross (Other) 438.4
Increase Authority for Board Honorarium

23Gov	Inc	3.4	3.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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Increased authority based on the actual number of meeting days in the prior year.

1105 PF Gross (Other) 3.4
Staffing Support for Front and Back Office

23Gov	Inc	1,572.6	1,572.6	0.0	0.0	0.0	0.0	0.0	0.0	7.0	0.0	0.0
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The Board of Trustees approved seven new positions - five investment staff and two operational.

In four years, the Alternative Investment team has the potential to grow enough to manage a \$40+ billion portfolio responsibly. Implementing a team structure that is operationally efficient and organizationally stable will be a key aspect to success. Subsector specialization is an effective way to grow a fund portfolio while simultaneously increasing internal expertise. This could be achieved by creating deal teams of two, each dedicated to a key subsector. Although there will be some overlap among teams, having areas of expertise will create operational efficiency, promote sustainability, and foster a knowledge-based competitive advantage. Equally as important, it will also provide; on-the-job training, a clear path for career development, and a mechanism to plan and govern personnel succession. To achieve this goal, the request includes three Portfolio Managers and one Data Analyst dedicated to Alternatives.

In the next three to five years, the Real Estate portfolio is expected to double in size and emphasize joint ventures, development projects, and internal management. The increased complexity and size of the portfolio will require a significant increase in internal analysis and investment oversight. To support senior staff during this time of growth, a new Senior Investment Analyst will participate in finding data solutions to increase analytical capabilities

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Alaska Permanent Fund Corporation (continued)													
APFC Operations (continued)													
Staffing Support for Front and Back Office (continued)													
and assess risk, conducting analysis of new real estate investment opportunities, completing market and economic research, performing due diligence, analyzing hold/sell recommendations from managers, and working closely with accounting and compliance to ensure accuracy.													
Operational staff strives to provide the support necessary for investment staff to focus on investment-related activities solely. As the complexity of the Fund grows, both with internally and externally managed assets, having a balanced ratio of operational staff to investment staff is essential to the success of the Corporation. The average ratio is 1.2 operational (back office) support for every 1 investment position. With the increasing emphasis on direct and illiquid investments, the investment strategy is becoming more complex, which supports the need to increase the ratio of operational support up to 2.5 to 1. APFC currently falls at a 1.21 ratio and has historically only grown operational support directly to the request for new investment positions. Our current ratio of 1.21 and aligns with targets for less complex investment organizations.													
With the addition of five new investment staff and the increasing complexity of the organization's investments, an IT Security Specialist and IT Project Manager will ensure all the work done by the front office investment staff is executed timely and accurately.													
1105 PF Gross (Other)			1,572.6										
Contractual Services Support for Communications and IT	23Gov	Inc	71.0	0.0	0.0	71.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
The Board of Trustees approved a contractual service's budget that included an increase for two main projects. APFC's Communications team will coordinate one of the projects to reach out to and educate Alaska's youth through a grade-based curriculum. Alaska's youth are the future leaders of our great state. APFC, as the investment manager of Alaska's largest renewable financial resource, recognizes the Fund and the youth are essential aspects of Alaska's future. Establishing an outreach program that teaches about the Permanent Fund components, basic economic concepts, and financial investing will prepare both for success. The second project will be owned by APFC's IT team. The initiative will be facilitated alongside an industry professional to conduct an analysis of APFC's current data processes, sources, platforms, and analytical capabilities. This exploration project will help the organization determine its data future.													
1105 PF Gross (Other)			71.0										
* Allocation Difference *			2,795.4	2,724.4	0.0	71.0	0.0	0.0	0.0	0.0	7.0	0.0	0.0
APFC Investment Management Fees													
Forecasted Investment Management Fees and Supporting Investment Systems	23Gov	Inc	2,828.9	0.0	0.0	2,828.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Over \$2 million of the increase is directly related to external manager fees. The methodology for forecasting the FY2023 fees was modified as a result of FY2021 performance. Base fees were calculated using similar assumptions as in years past, based on Callan's growth assumption by asset class, the Fund's asset allocation, and contractual fee terms. In comparison, incentive fees were based on basis points (BPS) paid by a manager in FY2021 unless the historical average was still an accurate representation.													
The remaining increase is associated with investment systems. The Corporation will focus on all data feeds and the platforms necessary to broaden APFC's analytical capabilities for investment decisions and risk management													

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Alaska Permanent Fund Corporation (continued)													
APFC Investment Management Fees (continued)													
Forecasted Investment Management Fees and Supporting Investment Systems (continued)													
for the next few years. This journey will include creating a data strategy to ensure that all existing and future data sources and platforms are cohesive and efficient while identifying and finding solutions for data gaps.													
1105 PF Gross (Other)			2,828.9	0.0	0.0	2,828.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
** Allocation Difference *													
** Appropriation Difference **			5,624.3	2,724.4	0.0	2,899.9	0.0	0.0	0.0	0.0	0.0	7.0	0.0

Agency Unallocated

Unallocated Rates Adjustment

FY2023 Administrative Systems Upgrade

Ongoing Cost Increases

This change will be allocated across the department's programs in accordance with the department's approved

cost allocation processes.

1002 Fed Rcpts (Fed)	9.0
1004 Gen Fund (UGF)	4.4
1005 GF/Prgrm (DGF)	0.3
1007 I/A Rcpls (Other)	1.2
1017 Group Ben (Other)	2.3
1029 PERS Trust (Other)	1.6
1034 Teach Ret (Other)	0.7
1050 PFD Fund (Other)	0.8
1061 CJP Rcpts (Other)	0.3
1094 MHT Admin (Other)	0.4
1104 AMBB Rcpls (Other)	0.1
1105 PF Gross (Other)	21.8
1108 Slat Desig (Other)	9.9

FY2023 Human Resources Rate AspireAlaska

This change will be allocated across the department's programs in accordance with the department's approved

cost allocation processes.

1002 Fed Rcpts (Fed)	4.1
1004 Gen Fund (UGF)	3.1
1005 GF/Prgrm (DGF)	0.3
1007 I/A Rcpls (Other)	2.2
1050 PFD Fund (Other)	1.6
1061 CJP Rcpts (Other)	0.7
1094 MHT Admin (Other)	0.8
1104 AMBB Rcpls (Other)	0.1
1105 PF Gross (Other)	3.6
1133 CSSD Admin (Fed)	0.1
1169 PCE Endow (DGF)	0.2

FY2023 Office of Information Technology Core

Services Rate Infrastructure Upkeep Increase

This change will be allocated across the department's programs in accordance with the department's approved

cost allocation processes.

23Gov	RateAdj	52.8	0.0	0.0	52.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23Gov	RateAdj	16.8	0.0	0.0	16.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23Gov	RateAdj	53.4	0.0	0.0	53.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

**2022 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between Adj Base and 23Gov**

Agency: Department of Revenue

**Numbers and Language
Differences
Agencies: Rev**

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	THP
Agency Unallocated (continued)													
Unallocated Rates Adjustment (continued)													
FY2023 Office of Information Technology Core Services Rate Infrastructure Upkeep Increase (continued)													
This change will be allocated across the department's programs in accordance with the department's approved cost allocation processes.													
1002 Fed Rcpts (Fed)			12.8										
1004 Gen Fund (UGF)			10.2										
1005 GF/Prgm (DGF)			1.0										
1007 I/A Rcpts (Other)			7.0										
1017 Group Ben (Other)			0.1										
1027 In/Airport (Other)			0.1										
1050 PFD Fund (Other)			5.1										
1061 CIP Rcpts (Other)			2.2										
1094 MHT Admin (Other)			2.5										
1104 AMBB Rcpts (Other)			0.2										
1105 PF Gross (Other)			11.3										
1133 CSSD Admin (Fed)			0.4										
1169 PCE Endow (DGF)			0.5										
FY2023 Office of Information Technology Core Services Rate Software Increases	23Gov	RateAdj	118.4	0.0	0.0	118.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
This change will be allocated across the department's programs in accordance with the department's approved cost allocation processes.													
1002 Fed Rcpts (Fed)			28.6										
1004 Gen Fund (UGF)			22.5										
1005 GF/Prgm (DGF)			2.2										
1007 I/A Rcpts (Other)			15.6										
1017 Group Ben (Other)			0.2										
1027 In/Airport (Other)			0.1										
1050 PFD Fund (Other)			11.3										
1061 CIP Rcpts (Other)			4.9										
1094 MHT Admin (Other)			5.6										
1104 AMBB Rcpts (Other)			0.4										
1105 PF Gross (Other)			25.0										
1133 CSSD Admin (Fed)			0.9										
1169 PCE Endow (DGF)			1.1										
FY2023 Office of Information Technology Mainframe Increases	23Gov	RateAdj	-852.5	0.0	0.0	-852.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
This change will be allocated across the department's programs in accordance with the department's approved cost allocation processes.													
1002 Fed Rcpts (Fed)			-590.9										
1004 Gen Fund (UGF)			-259.9										
1005 GF/Prgm (DGF)			-1.7										
* Allocation Difference *			-611.1	0.0	0.0	-611.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
** Appropriation Difference **			-611.1	0.0	0.0	-611.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0

**2022 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between Adj Base and 23Gov**

**Numbers and Language
Differences
Agencies: Rev**

Agency: Department of Revenue

Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	THP
		50,279.2	1,937.7	3.4	5,120.7	17.4	0.0	43,200.0	0.0	7	2	0
		50,279.2	1,937.7	3.4	5,120.7	17.4	0.0	43,200.0	0.0	7	2	0

***** Agency Difference ***
*** All Agencies Difference *****

Column Definitions

Adj Base (FY23 Adjusted Base) - FY22 Management Plan less one-time items, plus FY23 adjustments for position counts, funding transfers, line item transfers, temporary increments (IncT) from prior years, and additions for statewide items (e.g. salary and benefit increases). The Adjusted Base is the "first cut" of the FY23 budget; it is the base to which the Governor's and the legislature's increments, decrements, and fund changes are added.

23Gov (23 Governor's Request 12/15) - Includes FY23 Adjusted Base plus the Governor's operating budget requests for increments, decrements, fund source changes, and language transactions submitted on December 15, 2021. Because the Alaska Marine Highway System's budget is now based on a calendar year and has a different effective date than other agencies, it is separated into its own column; therefore the 23Gov column is an aggregate of two columns.[23GOVAMHS+23GovNoAMHS]

DOR Program Priority Table

Program	Constitutional Requirement	Federal Requirement	Statutory Req.	# of Alaskans Served
Treasury Division	No	No	Yes	20,000 tax payers
Tax Division				
Treasury Division	No	No	Yes	All Alaskans
Unclaimed Property	No	No	Yes; AS 34.45	All Alaskans
Alaska Retirement Management Board (ARMB)	No	No	Yes; AS 37.10.210-390	All Alaskans
ARMB Custody & Mgmt. Fees	No	No	Yes; AS 37.10.210-390	All Alaskans
PFD Division	No	No	Yes; AS 37.13 AS 43.23	667,260 applied in 2019
Child Support Services Division	No	Yes; Social Security Act	Yes; AS 25.27.010	119,000 (approx.)
Administration and Support				
Office of the Commissioner	No	No	Yes; AS 43.05.010	Alaskans not directly served
Administrative Services Division	No	No	No	Alaskans not directly served
Criminal Investigations Unit	No	No	No	All Alaskans
Alaska Mental Health Trust Authority				
Mental Health Trust Operations				
Long Term Care Ombudsman Office				
Alaska Municipal Bond Bank Authority				
AMBBA Operations				
Alaska Housing Finance Corporation				
AHFC Operations				
Alaska Corporation for Affordable Housing				
Alaska Permanent Fund Corporation				
APFC Operations				
APFC Investment Management Fees				

Department of Revenue
FY23 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Taxation and Treasury / Tax Division	Restore One-Time Fund Source Change to Utilize ARPA Revenue Replacement	Net Zero (\$10,000.0) Gen Fund (UGF) \$10,000.0 ARPA Rev R (UGF)	The Governor utilizes \$10 million of American Rescue Plan Act (ARPA) revenue replacement in this agency's budget, out of a total of \$375.4 million statewide. One of the allowable uses for the State's allocation from the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) within ARPA is replacing revenue lost due to the Covid-19 pandemic. This funding can be used for any cost of State government that is within the scope of normal government operations. To avoid distorting the budget, the funds used for revenue replacement are appropriated to the general fund, and a UGF tracking code (1271) is used for activities that fit the federal requirements, adding up to the total amount of revenue replaced. Since 1271 is just a UGF tracking code, there is no impact on the agency's operations. The fund change will be reversed in the FY24 Adjusted Base.
2	Taxation and Treasury / Treasury Division	Exempt Salary Increase	Total: \$870.4 \$174.1 Gen Fund (UGF) \$696.3 I/A Rcpts (Other)	The Treasury Division manages \$50 billion on behalf of State entities. While continually exceeding benchmarks, Treasury has saved ~\$30 million per year through fee negotiation, increasing internal investment management, and portfolio restructuring. Treasury has recruitment and retention concerns, since uneven staffing could affect investment performance or force a return to external management, which is much more expensive. Investment professionals are in high demand, and employees can earn significantly higher salaries elsewhere. McLagan, a consulting firm specializing in financial services industry compensation, found Treasury's salaries to be at the 24th percentile of public pension funds. The compensation increases move staff to the 36th percentile.
3	Taxation and Treasury / Treasury Division	Investment Management Resources	Total: \$250.0 \$50.0 Gen Fund (UGF) \$200.0 I/A Rcpts (Other)	The compensation plan was implemented in the FY22 Management Plan, and the agency may take reductions elsewhere in the appropriation if the increment is denied. The Treasury Division is requesting new investment tools to improve efficiency and reduce reliance on external managers for developed markets. The additional software and tools include but are not limited to the following: 1. Three additional Bloomberg licenses, with an approximate total cost of \$50.0-\$75.0 annually. The additional licenses would provide all Investment Officers direct access to a Bloomberg terminal. 2. Subscriptions to two additional products from Bloomberg: the Server API (~\$75.0) and the RECON function (~\$60.0). Both products would automate ad-hoc manual processes that are currently time-consuming and fallible. In addition, the RECON function would be necessary for establishing an internally managed developed markets strategy, which Treasury plans to do in order to save money on external manager fees. 3. In order to establish an internally managed developed markets strategy, Treasury also requires a

Department of Revenue
FY23 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Taxation and Treasury / Treasury Division	Investment Management Resources	Total: \$250.0 \$50.0 Gen Fund (UGF) \$200.0 I/A Repts (Other)	(continued) SEDOL license (~\$25.0). The SEDOL is a unique identification code for securities traded on the London Stock Exchange, and a license is required for data access. The license would also replace a complicated matching process Treasury currently uses to reconcile inconsistent identifiers used by various data sources for domestic markets.
4	Taxation and Treasury / Treasury Division	Payment Card Industry (PCI) Compliance	\$100.0 Gen Fund (UGF)	The Treasury Division has entered an agreement to reimburse the Office of Information Technology (OIT) to piggyback on OIT's existing contract with Structured Communication Systems, Inc. The intent is to bring Treasury into payment card processing compliance, ensuring security of public data and avoiding fines. Non-compliance can also potentially impact credit ratings.
5	Taxation and Treasury / Permanent Fund Dividend Division	Seasonal Dividend Application Scanning and Mail Sorting	\$72.0 PFD Fund (Other) 2 PPT Positions	Due to implementing new optical scanning software, the Permanent Fund Dividend Division's FY21 budget eliminated six seasonal Office Assistant positions with a \$527.6 decrement. The optical scanning software has shown higher than acceptable error rates, and Division staff have to manually review applications uploaded by the software. This unanticipated work has diverted Division resources from other tasks, leading to processing delays. This increment would add two permanent part-time Office Assistant I positions to perform the reviews.
6	Taxation and Treasury / Permanent Fund Dividend Division	Dividend Applicant Identity Verification	\$2,000.0 PFD Fund (Other)	The Permanent Fund Dividend (PFD) Division has seen an increase in suspicious activity, such as duplicate applications and payment receiving methods changing immediately before PFDs are distributed. Given recent attacks on other State systems, the Division is concerned about the possibility of large-scale fraud. The Division proposes to contract with a third party to screen identities for all PFD applicants. Appropriations from the PFD Fund, such as this increment, are deductions from the PFD distribution.
7	Alaska Housing Finance Corporation / AHFC Operations	Foster Youth to Independence and Emergency Housing Voucher Programs	\$3,200.0 Fed Repts (Fed)	The Alaska Housing Finance Corporation is requesting receipt authority for two Federal grant programs administered by the U.S. Department of Housing and Urban Development. The Foster Youth to Independence program provides rental assistance to young adults aging out of the foster care system. The Emergency Housing Voucher Program provides housing to families who are homeless, at risk of homelessness, or are fleeing a domestic violence situation.
8	Alaska Permanent Fund Corporation / APFC Operations	Investment Staff Incentive Compensation Program	\$710.0 PF Gross (Other)	In FY22, the legislature approved a \$890.0 increment to partially fund a performance based bonus program for investment staff. Based on FY21 year-end performance, the bonus formula would have paid out approximately \$1.6 million in FY22. Since funding was insufficient, staff bonuses were prorated.

Department of Revenue
FY23 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
8	Alaska Permanent Fund Corporation / APFC Operations	Investment Staff Incentive Compensation Program	\$710.0 PF Gross (Other)	(continued) The FY23 proposed increment would expand the program to \$1,600.0, which would be distributed based on FY22 year-end performance. If the calculated distribution based on FY22 performance exceeds this amount, staff bonuses would be prorated to keep the total distribution at \$1,600.0. If the calculated distribution is less than \$1,600.0, the entire amount available would not be distributed, and the undistributed portion would remain in the Earnings Reserve Account.
9	Alaska Permanent Fund Corporation / APFC Operations	Merit and Cost of Living Adjustment	\$438.4 PF Gross (Other)	APFC is requesting this increment to increase wages for operational staff by 3% and investment staff by 4%. Unlike most State employees, APFC staff do not receive annual merit step increases. This increment is intended to acknowledge employee performance in the absence of step increases, as well as to account for inflation.
10	Alaska Permanent Fund Corporation / APFC Operations	Staffing Support for Front and Back Office	\$1,572.6 PF Gross (Other) 7 PFT Positions	This increment would fund seven positions, five investment staff and two operational, as follows: 1. Three Portfolio Managers and one Data Analyst would be added to the Alternative Investments team, which focuses on non-conventional strategies such as private equity. The additional staff will allow for greater subsector specialization, and a growing portfolio. The total value of alternative investments was \$25.6 billion at the end of FY22, and APFC hopes to grow the portfolio to \$40 billion in four years. 2. A Senior Investment Analyst would be added to the Real Estate team due to the increasing size and complexity of the portfolio. APFC anticipates the Real Estate portfolio will double in the next three to five years. 3. One IT Security Specialist and one IT Project Manager would be added. The added IT staff is to support the growing complexity of APFC's overall investment strategies.
11	Alaska Permanent Fund Corporation / APFC Investment Management Fees	Forecasted Investment Management Fees and Supporting Investment Systems	\$2,828.9 PF Gross (Other)	\$2,091.4 of the increment is intended for forecasted external manager fees. Two types of external manager fees are included in the forecast, base and incentive. Base fees are related to market performance and are paid in alignment with the fiscal year. These fee projections are developed using the management contract terms in conjunction with Callan's market assumptions. Incentive fees are contracted and paid based on managers outperforming their relative benchmark on a calendar year basis. The methodology for forecasting incentive fees has been updated and is now based on basis points paid by manager in FY21 unless the historical average was still an accurate representation.

Department of Revenue
FY23 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
11	Alaska Permanent Fund Corporation / APFC Investment Management Fees	Forecasted Investment Management Fees and Supporting Investment Systems	\$2,828.9 PF Gross (Other)	<p>(continued) \$810.8 would be added to support investment systems. As a result of FY21 performance, more funding is required for contracts based on total assets under management. The increment would also fund systems upgrades directed at risk management and furthering analytical capabilities for private markets.</p> <p>The proposed budget reduces investment due diligence funding by \$373.3 due to lower anticipated legal fees specific to investments. It also includes an additional \$300.0 for custody fees associated with outsourcing of new collateral margining requirements, bringing the total increment to \$2,828.9.</p>
12	Agency Unallocated / Unallocated Rates Adjustment	FY2023 Office of Information Technology Mainframe Increases	Total: (\$852.5) (\$590.9) Fed Rcpts (Fed) (\$259.9) Gen Fund (UGF) (\$1.7) GF/Prgm (DGF)	<p>This transaction was made in error, as the Department already accounted for the move away from the Office of Information Technology Mainframe in the FY22 budget with a \$1,131.3 decrement. OMB has indicated this transaction will be removed in the Governor's amended budget release.</p>

Department of Revenue
FY22 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
1	Taxation and Treasury / Tax Division	Shared Taxes Cost Recovery for Telephone and Electric Cooperatives Receipt Change	Net Zero (\$48.7) Gen Fund (UGF) \$48.7 GF/Prgm (DGF)	Net Zero (\$48.7) Gen Fund (UGF) \$48.7 GF/Prgm (DGF)	The Tax Division administers taxes on behalf of municipalities, and it assesses fixed fees to municipalities to cover the administrative costs. In past years, the state collected \$5.0 in total fees for assessing the Electric Cooperative tax and \$1.5 for assessing the Telephone Cooperative tax, and the amounts were considered UGF revenue. For FY22, the fees assessed to municipalities will increase by \$42.2 to \$48.7, and the entire amount will be considered GF Program Receipts.
2	Taxation and Treasury / Tax Division	Add Two Corporate Income Tax Auditor Positions (Vetoeed)	n/a	n/a	The legislature added \$221.0 UGF and two Corporate Income Tax Auditor positions, with the expectation that revenue from additional auditing capacity would exceed the cost of the positions. The funding and positions were vetoed by the Governor.
3	Taxation and Treasury / Treasury Division	Charge Flat Ten Basis Point Fee for Fund Management	Net Zero (\$1,404.5) Gen Fund (UGF) \$96.5 IntAirport (Other) \$359.0 Pub School (Other) \$632.6 PCE Endow (DGF) \$316.4 High Ed (DGF)	Net Zero (\$1,404.5) Gen Fund (UGF) \$96.5 IntAirport (Other) \$359.0 Pub School (Other) \$632.6 PCE Endow (DGF) \$316.4 High Ed (DGF)	Beginning in FY22, funds invested by the Treasury division will be charged a flat ten basis point fee (0.1%), which is inclusive of all expenses. The ten basis point fee is in line with rates charged by Vanguard for passive balanced funds. Charging a flat fee more accurately distributes the cost of services and eliminates the need for continual reassessment of fees. Prior to this change, the fee structure did not keep pace with changing fund balances. In FY21, the International Airports Revenue Fund paid \$38.6, the Public School Trust Fund paid \$274.4, the Power Cost Equalization Fund paid \$359.8, and the Higher Education Fund paid no fees. Items 3 and 4 are related.
4	Taxation and Treasury / Treasury Division	Remove Over-Appropriation from Public School Trust Fund	n/a	(\$639.8) Pub School (Other)	The Governor's proposed budget and the legislature's budget appropriated from the Public School Trust Fund beyond the statutory 5% draw. In order to avoid over-appropriation, the Governor vetoed management fees paid by the Public School Trust Fund to the Treasury Division. Fiscal Analyst Comment: Since the vetoed Public School Trust Fund funds are not replaced by another fund source, the item may need to be revisited in a supplemental. Items 3 and 4 are related.

Department of Revenue
FY22 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
5	Taxation and Treasury / Alaska Retirement Management Board Custody and Management Fees	Reduce Authority for Management Fee Savings	Total: (\$10,000.0) (\$4,788.2) Group Ben (Other) (\$3,608.6) PERS Trust (Other) (\$1,603.2) Teach Ret (Other) n/a	Total: (\$10,000.0) (\$4,788.2) Group Ben (Other) (\$3,608.6) PERS Trust (Other) (\$1,603.2) Teach Ret (Other) n/a	The Treasury Division has increased internal management of assets, allowing for reduced use of higher-cost external managers. This change includes moving out of actively managed sector funds, which charge high fees and do not on average beat the market.
6	Child Support Services / Child Support Services Division	New Carryforward Language for GF/Program Receipts	n/a	n/a	The FY22 budget includes language to carryforward unexpended balances from Temporary Assistance to Needy Families and the Alaska Interest program. Receiving child support payments can reduce the amount of other public benefits a recipient is eligible for. When the Child Support Services Division (CSSD) flags instances of over-provision of benefits, the federal government shares part of the savings with CSSD. Prior to FY22, these program receipts lapsed into the general fund. Under the new language, the program receipts will be temporarily used to help fund the FY21 supplemental capital project for a new case management system. Once the capital project is finished, the program receipts will be expended in the operating budget.
7	Various	Reduce Authority for Child Support Services	Total: (\$1,476.5) (\$1,019.2) Fed Rcpts (Fed) (\$457.3) GF/Match (UGF)	Total: (\$1,476.5) (\$1,019.2) Fed Rcpts (Fed) (\$457.3) GF/Match (UGF)	Items 6 and 7 are related. Four separate decrements to the Child Support Services Division (CSSD) are included in the FY22 budget as follows: A decrement of \$1,131.3 is due to moving the case management system from the state's mainframe to a more cost-effective Linux web platform. The move is meant to act as a bridge, generating short-term savings until a related FY21 supplemental capital project is completed, which replaces the aging case management system. A \$110.4 decrement to the operating budget results from an existing programmer position receiving funding through the FY21 supplemental capital.

Department of Revenue
FY22 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
7	Various	Reduce Authority for Child Support Services	Total: (\$1,476.5) (\$1,019.2) Fed Rcpts (Fed) (\$457.3) GF/Match (UGF)	Total: (\$1,476.5) (\$1,019.2) Fed Rcpts (Fed) (\$457.3) GF/Match (UGF)	(continued) project, rather than the operating budget. A \$104.8 decrement results from reducing the Criminal Investigations Unit (CIU) chargeback rate to align funding with Child Support investigators transferring from the CIU back into CSSD. A \$130.0 decrement reduces authority for two Office Assistant II positions that were deleted in FY21. Items 6 and 7 are related. This increment funds a contract for an information technology (IT) security expert to provide guidance on security measures. This guidance will supplement existing IT security support provided by the Department of Administration. The Treasury Division, which has \$50 billion of invested assets, will be the first priority, though the intention is for the new security expert to eventually provide guidance to all divisions within the department. The department anticipates the contract lasting three to four years, which allows time to implement long-term security measures.
8	Administration and Support / Commissioner's Office	GA 170 Departmentwide Risk Management	\$194.4 Gen Fund (UGF)	\$194.4 Gen Fund (UGF)	During the FY21 Management Plan, criminal investigation staff from the Tax and Permanent Fund Dividend divisions were centralized into the Criminal Investigative Unit (CIU). The two divisions will now pay for the staff through a reimbursable service agreement, and the interagency receipt authority accounts for those personal services costs now within the CIU allocation.
9	Administration and Support / Criminal Investigations Unit	Add Interagency Receipts Resulting from Centralized Investigations	\$713.6 I/A Rcpts (Other)	\$713.6 I/A Rcpts (Other)	In FY16, based on guidance from the Empowering Hope Steering Committee, the legislature funded a pregnancy test dispenser study and a statewide FASD prevention media campaign. The first approach was a one-time appropriation to the University of Alaska Anchorage to test the use of pregnancy test dispensers in bars as an FASD prevention strategy for reaching women at-risk of prenatal alcohol exposure.
10	Alaska Mental Health Trust Authority / Mental Health Trust Operations	Remove Funding for Fetal Alcohol Spectrum Disorders (FASD) Media Campaign Study	(\$500.0) A/D T&P Fd (DGF)	(\$500.0) A/D T&P Fd (DGF)	The second approach involved a \$500.0 appropriation to the Trust, subject to annual appropriation by the legislature, to develop and implement a prevention

Department of Revenue
FY22 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
10	Alaska Mental Health Trust Authority / Mental Health Trust Operations	Remove Funding for Fetal Alcohol Spectrum Disorders (FASD) Media Campaign Study	(\$500.0) A/D T&P Fd (DGF)	(\$500.0) A/D T&P Fd (DGF)	(continued) media campaign, support the work of a Health Policy Fellow at the University of Alaska to identify key policy issues to help facilitate FASD prevention and research activities related to FASD in Alaska. In FY17 the funding was changed from GF/MH to Alcohol and Other Drug Treatment and Prevention Funds while outreach and research continued. The legislature, with support from the Trust, decided the funds would better serve Alaskans experiencing a FASD if they were appropriated to the Department of Health and Social Services for grants to FASD programs and services.
11	Alaska Housing Finance Corporation / AHFC Operations	GA 172 COVID-19 Federal Housing and Homeless Stimulus (FY22-FY23)	\$164,568.1 COVID Fed (Fed) MultiYr	\$164,568.1 COVID Fed (Fed) MultiYr	Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) CRRSAA includes funding to states for rental assistance, with 90% to be used for current and arrears rent, utility payments, and other pandemic-related housing. Assistance can be provided for up to 12 months and with an additional three months of assistance "if needed to ensure housing stability." Of the \$200,000.0 allocated to Alaska, the Municipality of Anchorage received \$35,431.9 and the Alaska Housing Finance Corporation (AHFC) received \$164,568.1. Funds expire December 21, 2021 (FY22) but, upon the discretion of the U.S. Department of the Treasury, could be extended through September 30, 2022 (FY23). Since these funds may not expire until FY23, the transaction provides a two-year authorization.
12	Alaska Permanent Fund Corporation / APFC Operations	Investment Staff Incentive Compensation Program	\$890.0 PF Gross (Other)	\$890.0 PF Gross (Other)	This increment establishes a new program to provide performance-based bonuses for investment staff to aid in recruiting and retaining employees. According to the compensation study performed by McLagan for APFC, most pension, endowment, and sovereign wealth funds offer some type of performance-based compensation to their investment professionals.

Department of Revenue
FY22 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
12	Alaska Permanent Fund Corporation / APFC Operations	Investment Staff Incentive Compensation Program	\$890.0 PF Gross (Other)	\$890.0 PF Gross (Other)	(continued) The bonus amount is a maximum of 50% of the employee's salary for senior staff, and a maximum of 15%-35% for junior staff. The bonus cannot exceed 1.5 times an individual's previous year's total compensation, which excludes new staff from eligibility. APFC estimates the maximum calculated bonuses would be \$2,530.4, based on FY21 performance. Since the increment only allows for a maximum distribution of \$890.0, the available funding will likely fall short of the calculated bonuses, and the bonuses will be pro-rated.
13	Alaska Permanent Fund Corporation / APFC Investment Management Fees	Investment Management Fees and Supporting Investment Systems	\$63,638.5 PF Gross (Other)	\$63,638.5 PF Gross (Other)	The Governor initially requested \$1,364.5 for updating investment systems and \$2,924.3 for management fee increases. Separately identified savings of \$450.3 due to investment due diligence, and \$200.0 in custody fees reduced the overall increment to \$3,638.5. On May 4th, the Governor submitted an amended request of \$60,000.0 in additional management fees.
14	Various	SB 55, Ch. 9, SLA 2021 Employer Contributions to PERS	\$1,125.4 Gen Fund (UGF)	\$1,125.4 Gen Fund (UGF)	The increased management fees are primarily due to the total Permanent Fund FY22 beginning balance being significantly higher than was forecasted at the time of the Governor's budget release. More total money under management leads to more total fees. A \$50,000.0 supplemental was also added to the FY21 budget, due to higher than expected returns. SB 55 removes the 22% cap on payroll contributions to the Public Employee Retirement System (PERS) for the State of Alaska as a PERS employer. The budgetary impact of this legislation is reflected as a shift from the direct appropriation to PERS, which is typically funded with UGF, to agency payroll, where the cost can be spread across all fund sources. This shift results in a UGF increase to Agency Operations of \$72,871.7, and a UGF decrease to Statewide Items of \$95,794.5, for a net statewide UGF savings of \$22,922.8. Specifically, the UGF impact to the Department of Revenue is \$1,125.4 spread across multiple allocations.

**Department of Revenue
FY22 - Mid-Year Status Report**

Item #	Approp/ Allocation	Description	Amount / Fund Source	Comment	LFD Questions / Comments	Agency Comments
1	Taxation and Treasury / Tax Division	Add Two Corporate Income Tax Auditor Positions (Vetoed)	n/a	The legislature added \$221.0 UGF and two Corporate Income Tax Auditor positions, with the expectation that revenue from additional auditing capacity would exceed the cost of the positions. The funding and positions were vetoed by the Governor.	Does the agency maintain that additional auditors remain unnecessary in FY23?	The Division's current focus is filling outstanding vacancies in hard-to-fill auditor positions. When we approach full employment, we can reassess the viability to add additional staff resources.
2	Child Support Services / Child Support Services Division	New Carryforward Language for GF/Program Receipts	n/a	The FY22 budget includes language to carryforward unexpended balances from Temporary Assistance to Needy Families and the Alaska Interest program. Receiving child support payments can reduce the amount of other public benefits a recipient is eligible for. When the Child Support Services Division (CSSD) flags instances of over-provision of benefits, the federal government shares part of the savings with CSSD. Prior to FY22, these program receipts lapsed into the general fund. Under the new language, the program receipts will be temporarily used to help fund the FY21 supplemental capital project for a new case management system. Once the capital project is finished, the program receipts will be expended in the operating budget.	How much money has the state retained by identifying instances of over-provision of benefits during the TANF transfer process? How do the FY22-to-date savings compare to the same months in FY21?	When the state pays out benefits to a family, CSSD opens a case for collection to the parent or guardian who is not in the household. These funds are considered reimbursement funds. Previously this was put in the GF. Comparisons: FY21 July - November: Total - \$3,598,657.91, (Retained: \$1,576,212.16, Sent to Feds: \$2,022,445.75) FY22 July-November Total: \$3,228,178.48 (Retained: \$1,413,942.16, Sent to Feds: \$1,814,236.32)

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3	Administration and Support / Commissioner's Office	GA 170 Departmentwide Risk Management	\$194.4 Gen Fund (UGF)	This increment funds a contract for an information technology (IT) security expert to provide guidance on security measures. This guidance will supplement existing IT security support provided by the Department of Administration. The Treasury Division, which has \$50 billion of invested assets, will be the first priority, though the intention is for the new security expert to eventually provide guidance to all divisions within the department. The department anticipates the contract lasting three to four years, which allows time to implement long-term security measures.	Please provide the hire date for the Chief Risk Officer position. Has the increment been used for any other expenses?	The Department completed initial scoping work with a contractor, Vertex11, however, we became aware of a security and IT expert wishing to join the Department as an employee rather than a contractor. The Chief Risk Officer started on October 6th.

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4	Alaska Housing Finance Corporation / AHFC Operations	Sec. 53(g) HB 69, GA 172 COVID-19 Federal Housing and Homeless Stimulus (FY22-FY23)	\$164,568.1 COVID Fed (Fed) MultiYr	<p>Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA)</p> <p>CRRSAA includes funding to states for rental assistance, with 90% to be used for current and arrears rent, utility payments, and other pandemic-related housing. Assistance can be provided for up to 12 months and with an additional three months of assistance if needed to ensure housing stability."</p> <p>Of the \$200,000.0 allocated to Alaska, the Municipality of Anchorage received \$35,431.9 and the Alaska Housing Finance Corporation (AHFC) received \$164,568.1.</p> <p>Funds expire December 21, 2021 (FY22) but, upon the discretion of the U.S. Department of the Treasury, could be extended through September 30, 2022 (FY23). Since these funds may not expire until FY23, the transaction provides a two-year authorization.</p>	<p>Has the Treasury extended the expiration date? How much of the funds have been distributed? What is the geographic breakdown of the assistance provided?</p>	<p>On March 26, 2021, Treasury extended the expiration date to September 30, 2022. As of November 30, 2021, a total of \$123,782,770 has been distributed. The geographic breakdown for assistance is State-wide.</p>

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5	Alaska Permanent Fund Corporation / APFC Investment Management Fees	Investment Management Fees and Supporting Investment Systems	\$63,638.5 PF Gross (Other)	<p>The Governor initially requested \$1,364.5 for updating investment systems and \$2,924.3 for management fee increases. Separately identified savings of \$450.3 due to investment due diligence, and \$200.0 in custody fees reduced the overall increment to \$3,638.5.</p> <p>On May 4th, the Governor submitted an amended request of \$60,000.0 in additional management fees.</p> <p>The increased management fees are primarily due to the total Permanent Fund FY22 beginning balance being significantly higher than was forecasted at the time of the Governor's budget release. More total money under management leads to more total fees. A \$50,000.0 supplemental was also added to the FY21 budget, due to higher than expected returns.</p>	<p>What is the status of the investment system update?</p>	<p>The corporation procured a system that will integrate with our current risk system and provide critical analytics for portfolio management. Together the new and existing systems will provide a single platform for risk analytics and asset management, improving the data capabilities for private assets and eliminating manual processes. With the broader alternatives market and APFC's alternative portfolios continuing to expand and evolve, having a single data source is critical. The complete implementation will take three to four quarters. The first implementation phase loads information for over 700 investments, and the second phase is dedicated to historical data. Phase one began in early October.</p>

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6	Various	SB 55, Ch. 9, SLA 2021 Employer Contributions to PERS	\$1,125.4 Gen Fund (UGF)	SB 55 removes the 22% cap on payroll contributions to the Public Employee Retirement System (PERS) for the State of Alaska as a PERS employer. The budgetary impact of this legislation is reflected as a shift from the direct appropriation to PERS, which is typically funded with UGF, to agency payroll, where the cost can be spread across all fund sources. This shift results in a UGF increase to Agency Operations of \$72,871.7, and a UGF decrease to Statewide Items of \$95,794.5, for a net statewide UGF savings of \$22,922.8. Specifically, the UGF impact to the Department of Revenue is \$1,125.4 spread across multiple allocations.	The out-years of the SB55 fiscal note identify other fund sources to replace this UGF. Are those fund sources realizable going forward?	The analysis completed had future years also in consideration. The funding sources identified as unrealizable are expected to continue to be unrealizable unless there are additional revenue streams identified and implemented in our restricted fund sources. There are no expected increases in our restricted revenue sources in future years.