

State of Alaska

Department of Revenue

Department of Revenue

Presentation to House Finance Revenue Subcommittee

February 7, 2027

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Governor

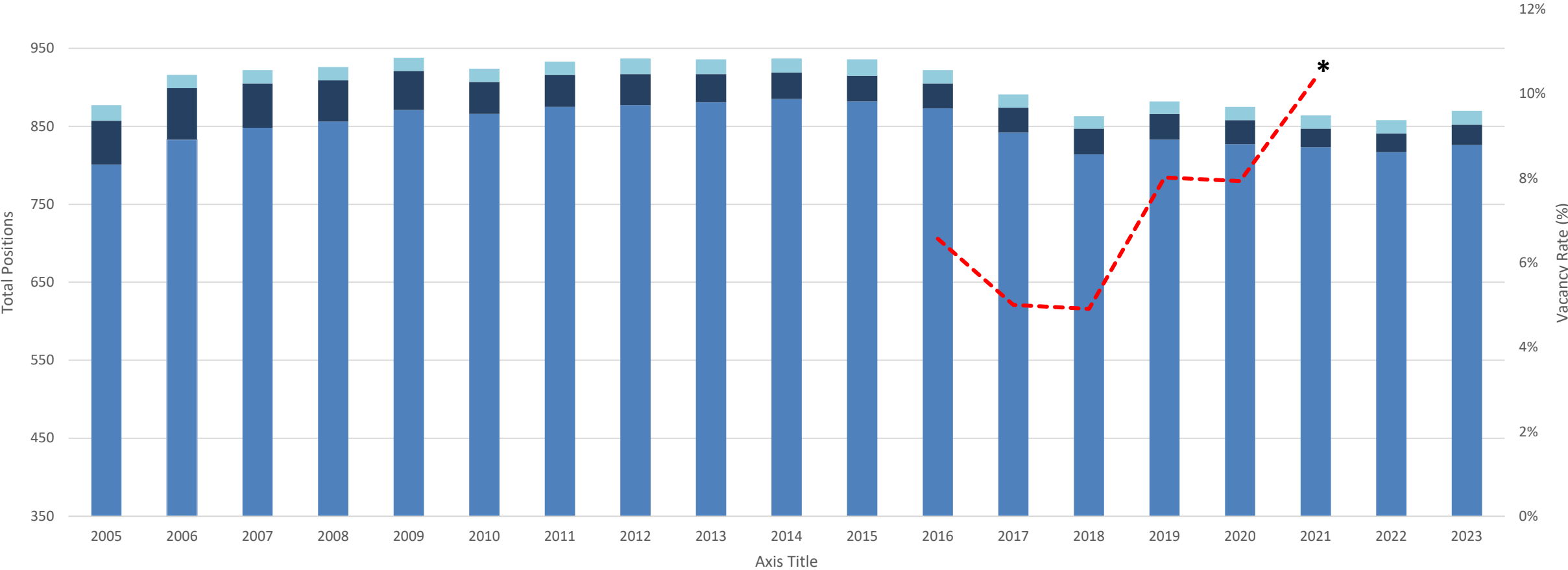
MIKE DUNLEAVY

Agenda – Responses to Committee Questions

- 1. Vacancy and Recruitment Update**
- 2. AHFC Rental Assistance Update**
- 3. Tax Division Audit**
- 4. Treasury Salary Increment**
- 5. Criminal Investigations Activity**
- 6. PFD Online Applications**
- 7. PFD Identity and Security**

Vacancy and Recruitment Update

Department of Revenue Position Trends



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Permanent Full Time Permanent Part Time Non Permanent Vacancy

*Based on Authorized PS Budget to Spend

Vacancy and Recruitment Update

Department of Revenue				
Budgeted Vacancy Rates by Core Division				
Component	FY2020 MP	FY2021 MP	FY2022 MP	FY2023 Gov
Tax Division	7%	4%	4%	4%
Treasury Division	2%	3%	2%	4%
Permanent Fund Dividend Division	4%	5%	6%	7%
Child Support Services	3%	3%	4%	6%
Administrative Services	1%	4%	4%	4%

Vacancy and Recruitment Update

Division	Job_Title	Range	Total Vacancies	Annual Salary	Salary
Child Support Services Division	Accounting Technician 1*	12	3	39,222.00	1,634.25
	Accounting Technician 2	14	1	44,532.00	1,855.50
	Analyst/Programmer 4*	20	1	67,392.00	2,808.00
	Child Support Specialist 1*	14	17	44,532.00	1,855.50
	Child Support Specialist 2	16	4	51,120.00	2,130.00
	Office Assistant 2	10	13	34,704.00	1,446.00
Child Support Services Division Total	* = Vacant 6 months or more		39		

Division	Job_Title	Range	Total Vacancies	Annual Salary	Salary
Commissioner's Office	Executive Secretary 2	14	1	44,532.00	1,855.50
Commissioner's Office Total			1		

Division	Job_Title	Range	Total Vacancies	Annual Salary	Salary
Criminal Investigations Unit	Investigator 3*	18	2	58,932.00	2,455.50
Criminal Investigations Unit Total	* = Vacant 6 months or more		2		

Division	Job_Title	Range	Total Vacancies	Annual Salary	Salary
Permanent Fund Dividend Division	Analyst/Programmer 1*	14	1	44,532.00	1,855.50
	Analyst/Programmer 4*	20	1	67,392.00	2,808.00
	Data Processing Manager 1*	22	1	77,058.00	3,210.75
	PFD Specialist 1*	16	2	51,120.00	2,130.00
	PFD Specialist 2	18	1	58,932.00	2,455.50
	PFD Technician 1*	10	3	34,704.00	1,446.00
	PFD Technician 2	12	2	39,222.00	1,634.25
Permanent Fund Dividend Division Total	* = Vacant 6 months or more		11		

Total vacancies over six months: 26

- Tax: 12
- Treasury: 3
- PFD: 5
- Child Support: 5
- Criminal Investigations: 1

Salary data was derived from the GG salary schedule, step A in order to normalize the salary data.

Vacancy and Recruitment Update

Division	Job_Title	Range	Total Vacancies	Annual Salary	Salary
Tax Division	Administrative Assistant 1*	12	1	39,222.00	1,634.25
	Admn OPS Mgr 1*	22	1	77,058.00	3,210.75
	Analyst/Programmer 4*	20	1	67,392.00	2,808.00
	Audit Master	27	1	101,394.00	4,224.75
	College Intern 4	12	1	39,222.00	1,634.25
	Corporate Income Tax Auditor 3	22	1	77,058.00	3,210.75
	Corporate Income Tax Auditor 4*	24	1	88,236.00	3,676.50
	Oil and Gas Revenue Auditor 3*	22	3	77,058.00	3,210.75
	Revenue Appeals Officer 2*	25	2	94,500.00	3,937.50
	Tax Auditor 3*	20	1	67,392.00	2,808.00
	Tax Auditor 4	22	1	77,058.00	3,210.75
	Tax Technician 3*	14	4	44,532.00	1,855.50
	Tax Technician 4*	16	1	51,120.00	2,130.00
Tax Division Total	* = Vacant 6 months or more		19		

Division	Job_Title	Range	Total Vacancies	Annual Salary	Salary
Treasury Division	Accountant 2	16	1	51,120.00	2,130.00
	Administrative Assistant 1*	12	1	39,222.00	1,634.25
	State Comptroller	27	1	101,394.00	4,224.75
	State Investment Officer*	20	1	67,392.00	2,808.00
	State Investment Officer*	22	2	77,058.00	3,210.75
Treasury Division Total	* = Vacant 6 months or more		6		

Vacancy and Recruitment Update

Many States are facing shortages in public workforce:

- State of Florida agency heads cite overworked and underpaid as primary reason for difficulties [Florida state agencies struggle with hiring employees, retaining staff \(tallahassee.com\)](http://tallahassee.com)
- The Office of Personnel Management released a study (2014) showing Millennials are the happiest government employees of any generation, however, leave after an average of 3.8 years
 - [Millennials like government work, but don't stay long, survey finds - The Washington Post](#)

Anecdotally, the Department of Revenue believes these issues are very applicable to our current human resource issues and are working to bridge these gaps.

Vacancy and Recruitment Update

Q: Has there been any sort of survey on satisfaction or dissatisfaction with staff's jobs to find out why those who are staying stay and why those who are leaving leave?

A: Every employee who leaves service is asked to fill out an optional exit survey. While only a fraction of those who leave fill out the survey some common themes include wishing to remain in telework indefinitely, moving to similar but higher paying jobs within state service

- **Range 14/16/18 Child Support Specialists are qualified to perform work of DHSS Eligibility Technicians at a Range 14/16/17**
- **Range 10 Office Assistants are qualified to perform the work of Office Assistant and Administrative Assistants at range 12/14**

B: In response to issues with turnover we contracted with GothamCulture to provide insight into the culture of Tax Division.

C: The Department conducted two department wide Telework surveys.

Vacancy and Recruitment Update (Tax Division Mosaic Study)

DOR's Culture Mosaic

Research Methodology

Invited: 88
Responded: 82
Response Rate: 93%
Sampling Methodology: Census

Survey Components

Culture Mosaic
Culture Mosaic Leader-only Items
Psychological Safety Index
Supplemental Custom Items



ADAPT: Capable of adapting to the needs of the market, customer, and community in which we operate.

INSPIRE: Aligned purpose, strategy, and values provide clarity on organizational direction and how to get there.

DELIVER: Execution enabled by effective collaboration and a focus on efficiency, improvement, and the customer.

ENABLE: People and teams are empowered and capable to work at high standards.

Vacancy and Recruitment Update

Q: How have vacancies impacted department staff's workload, burnout, and delivery of services?

A: The department has seen instances where all have been applicable across our business units. Implementation of performance metrics has been critical in assessing performance and workload.

Q: What work has been done to improve recruitment?

A: Currently revamping the College internship program, making requests to Universities to be guest speakers and attend job fairs to let students know about the finance careers available at the state. Investigating providing sign-on bonuses similar to DOC Officers/DHSS Nurses.

Vacancy and Recruitment Update

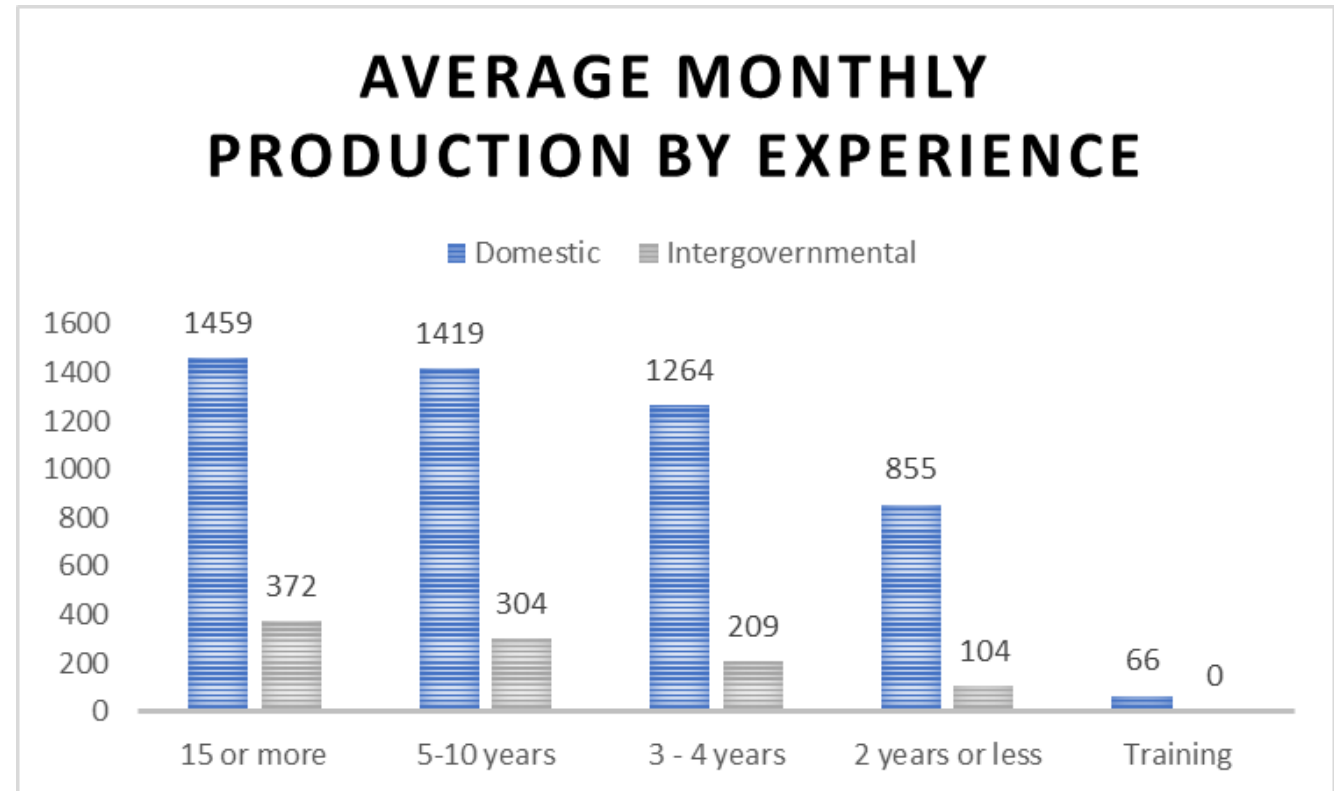
Q: What work has been done to improve retention?

A: Currently under investigation within the state personnel rules. Options include

- **CSSD In the midst of a Classification Study, to add “Flexible Staffing” to their positions**
- **Paying CFA/CPA fees**

Case Study: Cost of Turnover

- **Child Support Specialist I –**
 - **\$5,694.90 in staff time**
- **Child Support Specialist II**
 - **\$1,648 in staff time**
- **Child Support Specialist III –**
 - **\$4,275 in staff time**
- **Office Assistant II –**
 - **\$9,817 in staff time**



Vacancy and Recruitment Update

Q: What's harder? Recruitment or retention? Why?

A: It depends. Retention of entry level staff is a challenge for Child Support (Office Assistants, Child Support Specialists etc.). These job classifications have logical steps to other departments (DHSS/Law). For jobs that require more specific skills such as the state comptroller, oil and gas auditors, etc. recruitment is challenging as the minimum qualifications are very specialized.

Vacancy and Recruitment Update

Q: What are the reasons for those leaving? How is it distributed?

A: The Department has tracked 1-year of Position movement as follows

Reason for Leaving	Child Support Services	Commissioner's Office	Criminal Investigations	Permanent Fund Dividend	Tax	Treasury	Total
Lateral Transfer Within DOR	5	1	0	1	1	0	8
Left State Service + Returned	0	0	1	1	0	0	2
Left State Service	20	1	1	7	12	6	47
Promotion	26	0	0	2	3	1	32
Temporary Position Expiration	0	0	0	0	1	0	1
Transfer to Another Department	15	0	0	4	0	2	20
Total	66	2	2	15	17	9	110

DCCED - 4 **DHSS - 4**
DOA - 2 **DOLWD - 4**
DOC - 1 **Law - 1**
F&G - 2 **DMVA - 1**
 DPS -1



AHFC Rental Assistance

Q: How successful have we been in distributing the Alaska Housing Rental Relief Assistance Program Funds? What percentage has been distributed?

Alaska Housing Rent Relief: Program Status

FINANCE CORPORATION

Application Round	Applications Received	Income Eligible Applications	Households Paid	Total Funds Paid
1 st Application Round Closed 3/5/21	30,399*	26,458	21,070	\$215,518,529.10
2 nd Application Round Closed 10/1/21	10,488**	7,797	5,616	\$18,322,684.02
Unique Applicant Households	39,112	32,862	26,059	\$233,841,213.12

*1,780 of these applications did not submit income documentation for review

** 905 of these applications did not submit income documentation for review

Source of funds for Rent Relief includes:

- ***COVID Relief & Response Act signed into law by President Trump (\$164 million; subject to reallocation at Dec. 31, 2021)***
- ***American Rescue Plan Act signed into law by President Biden (\$125 million; program to close no later than Sept. 30, 2025)***
- ***Municipality of Anchorage and 14 organizations representing 148 tribes (\$96 million authorized but not all to be spent by AHFC and with a combination of 2021 and 2025 expiration dates)***



Weekly Update: <https://www.ahfc.us/newsroom/alaska-housing-rent-relief-weekly-program-update>

Tax Division Audits:

Q: Why has there been a decrease in audits in recent years?

A: Corporate Income Tax: Loss of personnel, mostly due to vacancies and retirement, in recent years replaced with new auditors with less experience contributed to overall declines as audits taking more time to complete.

Excise and Fish Tax group: The large amount of cigarette tax audits in 2018 were due to enforcement of the Federal PACT Act, an act imposing restrictions and reporting to tax administrators on mailed tobacco products. This created a temporary surplus in tax audits completed as represented in the presentation.

Charitable Gaming: The shift from performing audits to due diligence reviews was the result of an ROI study.

Oil and Gas Production Tax: DOR Division of Tax discontinued doing expedited credit audits once the cash provision expired in 2017. These are now audited with tax returns lowering the total count as they're no longer separate audits.

Tax Division Audits:

Q: With the reduction to charitable gaming staff, how has this impacted the quality of data received? Have we seen a loss in revenue since this happened.

A: The focus of the Charitable Gaming group has transitioned to performing regulatory oversight and completing due diligence activities. These activities reviewing returns in error, monitoring payment of net proceeds to permit holders, and addressing non-compliance issues that can lead to violations and/or suspensions. Revenue collections can be found below.

Collections Summary	FY 2018	FY 2019	FY 2020	FY 2021
Pull-Tab Tax	\$1,917,863	\$2,018,558	\$1,883,525	\$2,115,824
Net Proceeds Fees	356,273	390,068	338,269	317,373
License and Permit Fees	130,732	135,453	138,014	127,515
Penalties and Interest	12,505	13,904	9,038	17,718
Total Tax	\$2,417,373	\$2,557,983	\$2,368,847	\$2,578,429

Tax Division Audits:

Q: Can you provide any information on production tax audits that have been completed

Tax Return Revenues and Audit Assessments for Tax Years 2007 through 2019										
	Amount of Taxes Assessed by Account							Amount of Taxes Assessed by Payment Status		
Tax Year	Tax Revenue Filed by All Taxpayers	Tax Revenue Audited	Additional Tax Assessed	Installment Interest Increase	Tax Due	Interest	Totals	Paid Final	Not Paid	Totals
2007-2010	\$ 15,750,505,558	\$ 15,736,039,755	\$ 549,189,331	\$ 9,654,715	\$ 558,844,046	\$ 391,651,753	\$ 950,495,799	\$ 516,722,173	\$ -	\$ 516,722,173
2011-2013	14,859,627,490	14,859,591,182	468,905,820	14,586,638	483,492,458	106,949,169	590,441,627	197,222,827	-	197,222,827
2014-2019	3,355,750,186	2,391,816,624	*	5,222,666	24,920,047	36,598,332	52,673,351	43,999,722	*	*

* There are too few companies to report data for the sections indicated (per AS 43.55.890).

Tax Division Audits:

- **Audit Completion and Catchup Plan:**

- 2015 audits complete by 1Q 2022
- 2016-2017 audits complete by 2Q 2022
- 2018-2019 audits complete by 2Q 2023
- 2020 audits complete by 1Q 2024
- Reach and maintain three-year audit cycle by 2Q 2023

Improvements to Reach Goal:

- Automated processes vs manual processes which was a huge benefit due to teleworking
- Ability for taxpayers to use customer portal
- Continuous improvement
- Consistent audit practices and documentation

Tax Division Audits:

Q: Can you update us on the incremental corporate audit assessments from the new auditors added in the FY2018 budget?

- **FY2018 – Two Corporate Income Tax Auditors**
 - The Legislature added \$184.5 UGF and 2 positions in the FY2018 budget for Corporate Income Tax Auditors. The House made the initial proposal citing an expectation that each position would generate \$500,000 per year of audit assessments.
 - For the four fiscal years completed, there has been ~\$13 million more in audit assessments than planned.

Fiscal Year	Audit Assessments
FY18	\$ 2,847,473
FY19	\$ 1,805,401
FY20	\$ 8,131,294
FY21	\$ 790,685
Total	\$ 13,574,853

Tax Division Audits:

Q: Can you update us on the CSSD/TRMS system upgrade that was funded in last year's budget?

A: The Child support services division is currently preparing the required needs assessments to receive federal funding. Once that process is complete and our federal partners have signed off on the project, we will put the project out for competitive bid. At that point, the TRMS upgrade can run tandem with the CSSD system replacement.

Treasury Salary Increase

Q: When was the last time the investment officers had a raise? How often in the last 10 years have they had an increment?

A: Treasury Salaries have not kept pace with either increases in inflation or increases awarded to APFC. Salaries are currently 32.4% below APFC before taking the incentive compensation into account and represent the 24th percentile among other peer public funds. The Division has saved \$30 million in external management fees over the past 3 years and is currently investigating bringing the international equity portfolio in-house, representing another \$10 million in potential savings.

- o 2022 – No increase**
- o 2021 – No increase**
- o 2020 – No increase**
- o 2019 – No increase**
- o 2018 – No increase**
- o In 2017, an increment of \$857.8 was awarded (No GF Was Awarded)**
- o In 2016, \$327.0 was requested but ultimately denied**
- o In 2015 a 2.5% COLA of \$327.0 was added**
- o In 2014 SB95 added a 1% COLA of \$227.5**

Criminal Investigations

Q: The 1/24/2022 presentation focused on PFD investigations, what is their recent caseload for investigations in Tax, Child Support, and PFD?

PFD	
Fraud Tips Screened	306
New Cases	89
Cases Closed	171
Total Assigned Caseload	21
Total Unassigned Caseload	2
Total Open	23
# Apps in CIU-DAIS	360
Unassigned Inv > 12 Months Old	0
Remanded to Div-Admin Action	142
Refer to OSP	11
Agency Assistance Requests (AKIAC, LEO, SOA)	1737

CSSD	
New case	38
Closed no investigation	5
Closed Cases	15
Total Assigned Cases	14
Total Unassigned Cases	20
Referred to OSP	10
Probation Monitoring	35
Employee Back Ground Checks	91

TAX	
New Cases	46
Cases Closed	47
Ending Total Open Cases	5
Tobacco	0
Gaming	0
Veh Rental	2
Other	3
MJ Deposit Review	193
Tobacco Tax Insp HSS	0
Tobacco Inspections by CIU	239
Gaming Inspections by CIU	56
Alcohol Inspections by CIU	107
Marijuana Inspections by CIU	1
Refer to OSP	2
Div Regulatory Assist-Hours	42.5
MJ Dep Rm Review (QA)-hours	20.95

Investigations for PDF and Tax were combined in the centralized CIU unit, CSSD still retains their own investigations staff. Activity listed above is for FY2021. PFD division also works PFD fraud items outside of the scope of CIU.

PFD Division: Online Applications

Q: What are the main drivers of the increase in use of the online application process?

A: We attribute the increase in online application use to the improvement of broadband in certain rural areas as well marketing campaigns/OpEds.

Proportion Paper Applications by Year/Location

2018 – 117,485 (17.5%)	<i>Anchorage</i>	15,908
2019 – 108,939 (16.1%)	<i>Fairbanks</i>	4,599
2020 – 68,094 (10.1%)	<i>Juneau</i>	2,025
2021 – 60,605 (9.0%)	<i>Mat-Su</i>	4,754

Q: Is a paper application still easily accessible for those who would like it? Is there any plan to phase out paper applications?

A: There is no plan to phase out the paper application. They are available online, by mail request and at numerous libraries throughout the state. We are considering a regulation change that will allow us to phase out most paper signature pages.

PFD Division:

Q: Over the years, has there been an increase or decrease in PFD applications (as a percentage of the population)?

A:

Dividend Year	State Population	Applications Received	Applications Paid*	PFD Amount	Applications Received to Population	Successful Applications to Population	Paid to Received
2021	734,323	674,035	647,168	\$ 1,114	91.8%	88.1%	96.0%
2020	728,903	673,371	630,937	\$ 992	92.4%	86.6%	93.7%
2019	732,734	678,738	633,243	\$ 1,606	92.6%	86.4%	93.3%
2018	736,239	670,759	639,247	\$ 1,600	91.1%	86.8%	95.3%
2017	737,874	670,706	633,005	\$ 1,100	90.9%	85.8%	94.4%
2016	739,828	674,939	638,178	\$ 1,022	91.2%	86.3%	94.6%
2015	737,625	678,308	641,561	\$ 2,072	92.0%	87.0%	94.6%
2014	735,601	676,467	637,289	\$ 1,884	92.0%	86.6%	94.2%
2013	736,399	672,603	634,366	\$ 900	91.3%	86.1%	94.3%
2012	732,298	679,633	641,644	\$ 878	92.8%	87.6%	94.4%
2011	722,190	677,888	644,959	\$ 1,174	93.9%	89.3%	95.1%
2010	710,231	670,399	637,873	\$ 1,281	94.4%	89.8%	95.1%
2009	692,314	660,290	624,888	\$ 1,305	95.4%	90.3%	94.6%
2008	679,720	648,532	616,484	\$ 2,069	95.4%	90.7%	95.1%
2007	674,510	634,490	600,278	\$ 1,654	94.1%	89.0%	94.6%



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* Presumes that the ~17,000 applicants left to be determined achieve a 93.7% success rate

PFD Division: Refresh Application with improved Security - \$2 million/\$3.00 per PFD

Q: Many online services now use similar screens, referencing previous addresses and other identifiers from publicly available databases. Can this functionality be programmed by the current folks that make changes to the online application process?

A: The system is a custom-built solution that was initially built in the early 1990s. It has been unable to keep up with the significant cyber attacks that have been going on in the world including the DHSS/Elections incidents. We maintain the personal identity information for 2 million current and past Alaskans. The type of information maintained includes SSN, Address, Email, Phone, Drivers License, Birth Certificate, Passport... the list goes on.

We do perform a number of reactive audits and validation screens but we need to move to a proactive system. Currently such as interfaces with the employment security tax system, the national change of address database, DHSS social service information, DOLWD Employment security tax.

PFD Division: Refresh Application with improved Security - \$2 million/\$3.00 per PFD

Q: Is this a recurring or one-time expense?

A: \$2.0 million is a Department estimate from information provided by vendors. The Department will report back on the recommended solution.

Q: Have any Vendors already solicited the department and is the vendor already selected?

A: We have received a variety of information from interested vendors, but no vendor has been selected at this time.