



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Revenue
ADMINISTRATIVE SERVICES DIVISION

333 Willoughby Avenue, 11th Floor
PO Box 110400
Juneau, Alaska 99811-0400
Main: 907.465.2300
Fax: 907.465.2389

February 7, 2022

The Honorable Adam Wool
House Finance Revenue Sub-Committee Chair
State Capitol, Room 501
Juneau, Alaska 99801-1182

RE: HOUSE FINANCE SUBCOMMITTEE FOLLOW-UP

Representative Wool and committee members, below are responses to questions posed by the committee members at the January 31, 2022, House Finance Revenue Subcommittee meeting:

1. How many employees are in the Department of Revenue?

The Department of Revenue is budgeted for 870 positions. However, we house multiple corporations including the Alaska Housing Finance Corporation (AHFC), the Alaska Permanent Fund Corporation (APFC), and the Alaska Mental Health Trust Authority. Excluding those corporations, our department has 424 positions.

2. Why are Investment Officers not ASEA union positions?

AS 39.25.110 outlines a series of position categories that are exempt from the provisions of the Personnel Act and have not been unionized. Among the list of 42 position types is Treasury Investment Officers.

3. Which division has the highest vacancy rate?

Like many employers throughout the state and nationally, the Tax Division is struggling with recruitment and retention of qualified staff, especially for positions that require specialized skillsets such as Auditors. While the vacancy rate in that division has eased in the past few months, the division still had 19 vacancies out of 95 positions as of the December payroll run, equating to roughly 20%.

4. What is the total amount of fines and what are the ongoing costs of PCI compliance?

Payment card industry (PCI) compliance is important because it ensures that the appropriate safeguards are in place to prevent a breach of Alaskan's credit card information. Currently, the State is out of compliance and is being fined approximately \$5,000 per month. A \$100,000 increment will be used to assess our gaps and remediate the situation. There will be some ongoing expenditures in the low tens of thousands to remain compliant, however, that figure is not yet known. The Department views this increment as being important for ensuring the proper security protocols are in place above and beyond any cost of the fines.

5. What is the difference of billing the largest endowments in the Treasury Division for operating and not the smaller funds also under management?

The Department identified larger and more complex funds such as the Power Cost Equalization and Public School Trust Funds. Smaller designated funds are subfunds of the general fund and are invested alongside the general fund in a more conservative manner. For this reason, unrestricted general funds are used in the budget to cover the costs of investing these many smaller funds.

6. Does eliminating PFD fraud save money because the reduced spending from the fund will rebase into slightly higher dividends?

While it is true that spending or savings from the PFD fund may impact the PFD amount rather than the state's deficit, we view this request more through the lens of securing Alaskan's personal data than as a true cost savings item.

7. What is the number of fraudulent PFD payments each year?

To our knowledge, in 2021, PFD had approximately 4,500 duplicate applications and reviewed hundreds of records with a focus on financial institutions that experienced a higher than usual instance of fraud. Please keep in mind, not all duplicate applications are fraudulent. At times, Alaskans forget that they have already applied, or they don't know if their application processed. These duplicates could be innocent mistakes like parents living in separate households making sure their child's application has been filed, or in the worst-case, criminals using stolen information to create an account and apply for a PFD. The PFD team must process each one of these duplicates manually to determine the legal applicant or refer the case to our Criminal Investigative Unit for additional investigation.

8. Are the AHFC Foster Youth to Independence and the Emergency Housing Voucher Programs new or existing programs?

Foster Youth to Independence

This federally-funded initiative continues work that started Nov. 1, 2019, when the US Dept. of Housing and Urban Development (HUD) awarded AHFC 21 vouchers to serve youth aging out of foster care up to age 25 and for no more than 36 months. On Dec. 1, 2020, HUD again awarded AHFC with 25 vouchers for this purpose. This increment allows AHFC to continue to serve this vulnerable population through a partnership with Department of Health & Social Services. AHFC anticipates that this program will renew annually.

Emergency Housing Voucher

Federal funds made available by Congress through the American Rescue Plan Act are to be used to address Alaskans who are homeless, at-risk of homelessness, attempting to flee interpersonal violence, or at risk of human trafficking. AHFC is requesting authority to accept \$2.5 million in federal funds through a collaboration with the Alaska and Anchorage Coalitions to End Homelessness for the purpose identified by the federal government. The program has been approved for the next three years.

9. Can you further explain APFC's \$71.0 increment for Contractual Services Support for Communications and IT?

This increment encompasses all of the layout, design, printing, and web hosting services, which support the communications program, including the Annual Report, newspaper insert, election guide, social media, website maintenance, educational outreach, photography, and brand enhancement.

APFC continues to enhance and develop our communications program, and the recent strategic planning effort brought forth interest in reaching out to Alaskan Youth. APFC's staff would collaborate with a third-party contractor to research and develop a curriculum for specific age groups and grade levels. Branding and promotion through a landing page on the website would allow teachers access. Other outreach efforts might include economic education classes in high schools, junior achievement, student government, or the school district process. The increment in the Communications Program budget includes: initial discovery and planning efforts, draft curriculum, infographic design, webpage development, and program outreach promotion, as well as the funds required for ongoing support for equipment to create multi-media products that best represent the corporation and convey our mission, vision, and values.

10. What encompasses the Agency Unallocated appropriation?

The unallocated budget includes adjustments to statewide rates due to the Department of Administration for the services provided. These services include IT, Human Resources, and Accounting to name a few. There is an error in the budget records which reduces the Department's budget by \$852.5 for "mainframe savings." While the Department has achieved these savings through retirement of the costly mainframe hosting solution, we have already taken a decrement associated with those savings in FY2022. As a result, the Department would have to absorb this reduction. The Office of Management and Budget will be issuing a corrected change record during the Governor Amended process.

Thank you,



Eric DeMoulin

Administrative Services Director

CC: Akis Gialopsos, Legislative Director
Lucinda Mahoney, Commissioner
Ken Alper, Committee Aid
Brian Tyler, Office of Management and Budget
Brian Fechter, Deputy Commissioner
Genevieve Wojtusik, Legislative Liaison