

# State of Alaska

## Department of Revenue

Department of Revenue

Presentation to House Finance Committee

February 23, 2022

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Brian Fechter, Deputy Commissioner



Governor

MIKE DUNLEAVY

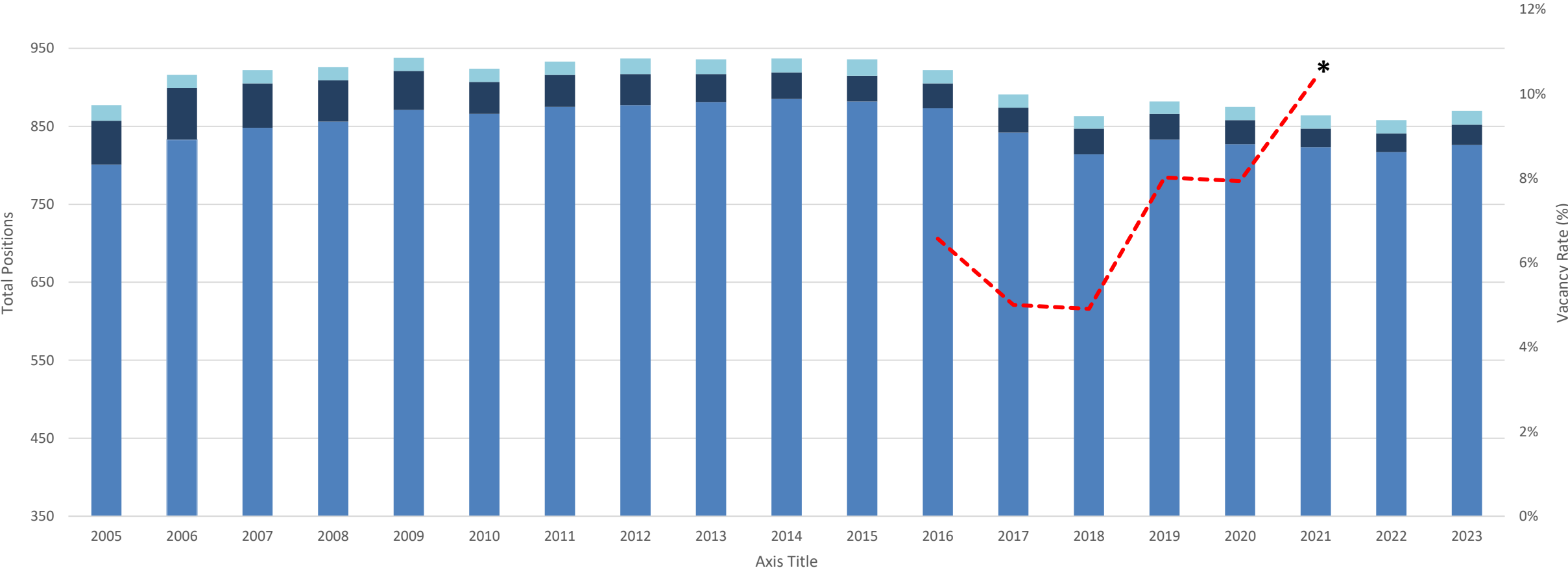
## Department Overview: Mission and Core Programs

- Mission: To collect, distribute, manage and invest funds for public purposes
- Department Headcount with Corporations: 870
- Core Department Headcount: 424
- Department Budget: Total: \$441.5M

Department Divisions	Collect	Invest	Distribute	Support
Tax	X		X	
Treasury		X		
PFD			X	
Child Support	X		X	
Unclaimed Property	X		X	
Commissioner				X
Admin Support				X
Criminal Investigations				X

# Department Overview: Staffing Levels for Department of Revenue

Department of Revenue Position Trends

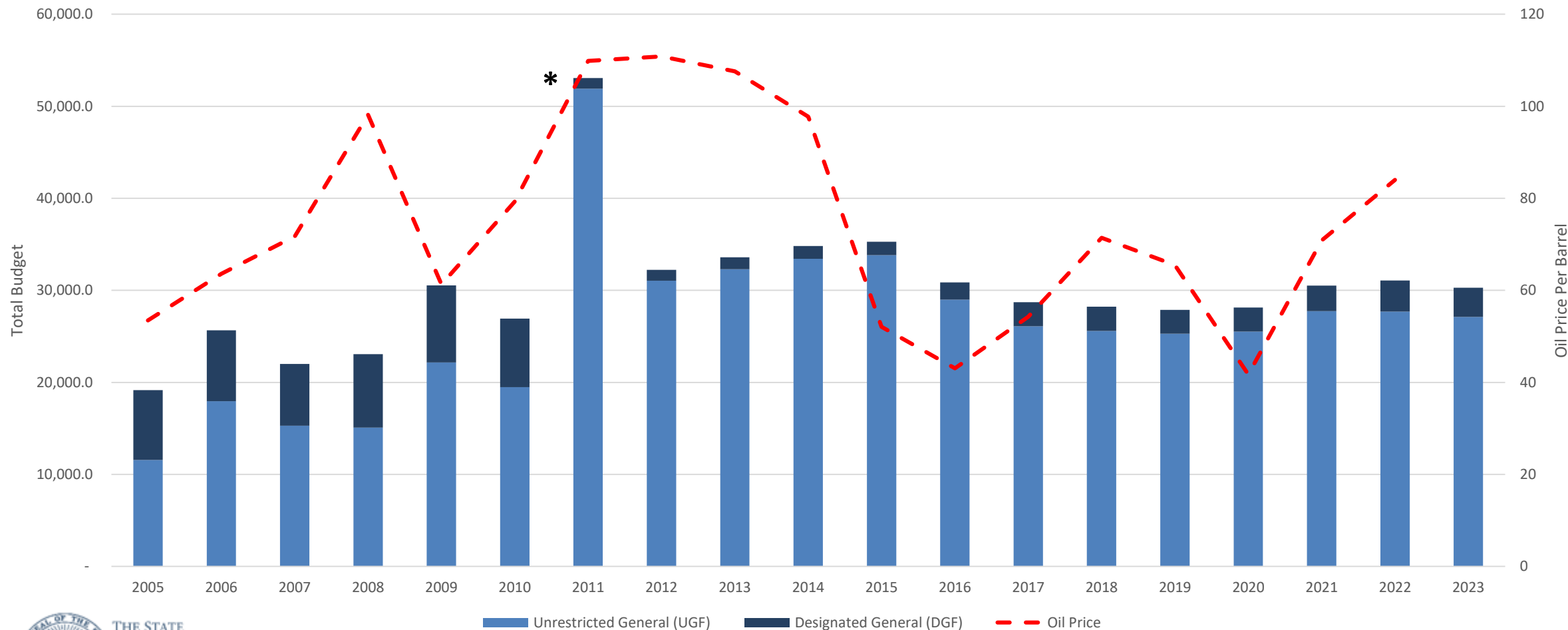


Permanent Full Time    Permanent Part Time    Non Permanent    - - - Vacancy

\*Based on Authorized PS Budget to Spend

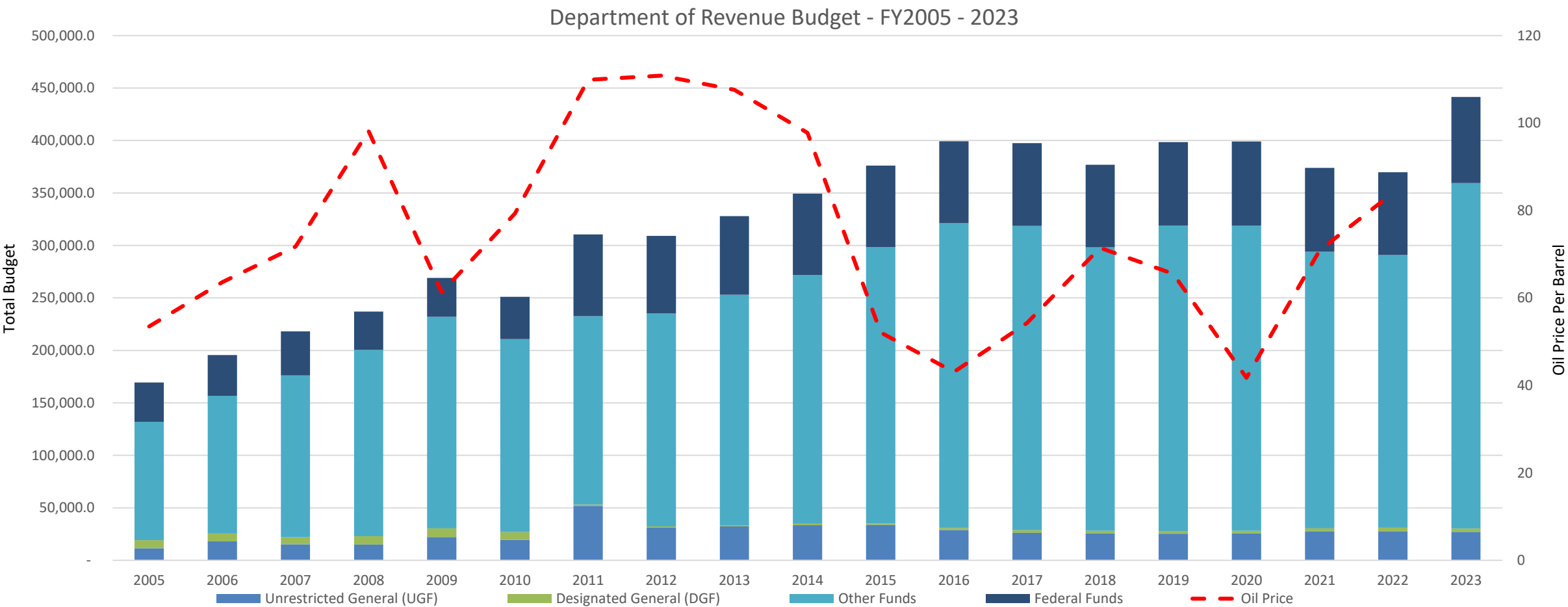
# Department Overview: General Fund Trend (UGF + DGF)

Department of Revenue Budget FY2005 - 2023  
UGF and DGF Only



\*One Time Expenses for Education GO Bond Issuance, Loan to City of Galena, and Gasline Costs before transfer of AGDC to DCCED.

# Department Overview: All Funds Trend (UGF + DGF + Other + Federal)



# Department Overview: Tax Division

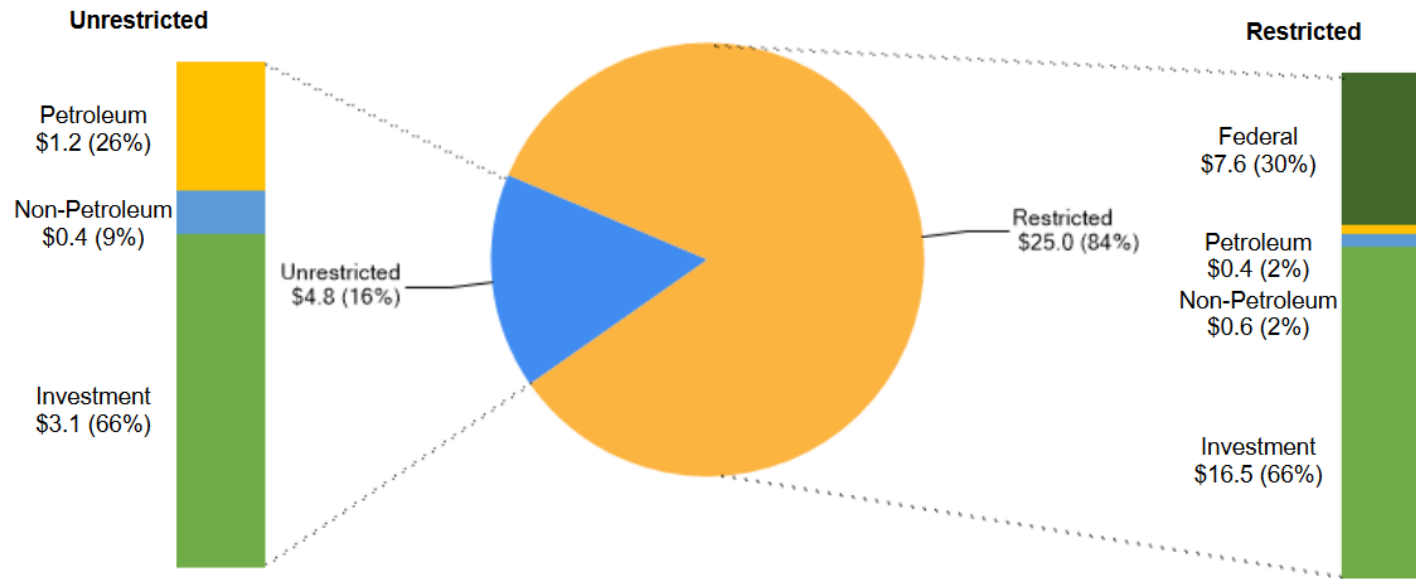
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## Tax Division: **Collect and Distribute**

- Mission: Collect taxes, inform stakeholders and regulate charitable gaming.
- **Accomplishments:**
  - Supported 27 tax types with over 20,000 taxpayers and over 30,000 tax returns.
  - FY21 was the largest all-time revenue year in State of Alaska history (\$29.8 Billion)
  - Instituted Performance metrics to ensure work delivery and attendance during telework.
  - Leverage use of Tax Revenue Management System (TRMS) to automate processes and maximize efficiency
- **Challenges:**
  - Continuing emphasis on oil and gas production tax audit timeliness
  - Counting cash tax deposits in COVID environment
  - Tax System has not been upgraded since implementation in mid-2010s.

# Department Overview: Tax Division

	Fund Group	FY2023	FY2022	FY2021	FY2020	FY2019	2022-2023		FY2019 - FY2023	
Tax Division	UGF	16,038.7	16,402.3	15,938.3	13,658.5	13,472.0	(363.6)	-2.22%	2,566.7	19.05%
	DGF	887.7	907.7	809.3	805.8	791.0	(20.0)	-2.20%	96.7	12.23%
	Other	196.2	199.6	197.8	766.5	965.8	(3.4)	-1.70%	(769.6)	-79.69%
<b>Tax Division Total</b>		<b>17,122.6</b>	<b>17,509.6</b>	<b>16,945.4</b>	<b>15,230.8</b>	<b>15,228.8</b>	<b>(387.0)</b>	<b>-2.21%</b>	<b>1,893.8</b>	<b>12.44%</b>



## Budgetary Changes FY2023

- **Restore one-time fund source change to utilize ARPA revenue replacement. \$10,000.0 (UGF)**

# Department Overview: Treasury Division

## Treasury Division: Invest

- Mission: to manage the state's funds consistent with prudent investment guidelines and Governmental Accounting Standards Board (GASB) rules.
- **Accomplishments:**
  - Outstanding investment performance saving \$178.9 Million in retirement obligations for FY23
  - PERS and TRS performance of 27.6% was the highest FY return ever and has placed total performance in the first quartile against peer plans. Benchmark return of 24.95% equating to 2.65% outperformance
  - The Alaska Municipal Bond Bank entered into 57 loan agreements for \$353.5 million resulting in savings of \$52.7 million to Alaskans through reduced borrowing costs
- **Challenges:**
  - Maintaining return expectations in a low interest rate environment
  - Managing cash-flow in a volatile revenue environment
  - Attracting and retaining qualified professionals (Comptroller)



# Department Overview: Treasury Division

	Fund Group	FY2023	FY2022	FY2021	FY2020	FY2019	2022-2023		FY2019 - FY2023	
Treasury Division	UGF	2,018.3	1,773.5	2,830.8	2,829.9	2,860.6	244.8	13.80%	(842.3)	-29.44%
	DGF	1,149.2	1,346.2	359.8	359.7	359.7	(197.0)	-14.63%	789.5	219.49%
	Other	8,121.6	7,204.3	7,016.0	7,011.2	6,766.0	917.3	12.73%	1,355.6	20.04%
<b>Treasury Division Total</b>		<b>11,289.1</b>	<b>10,324.0</b>	<b>10,206.6</b>	<b>10,200.8</b>	<b>9,986.3</b>	<b>965.1</b>	<b>9.35%</b>	<b>1,302.8</b>	<b>13.05%</b>

Fiscal Year Investment Returns by Fund			
Fund	1-Year	3-Year	5-Year
PERS/TRS	27.62%	12.13%	11.86%
APFC	29.73%	12.10%	12.00%
Higher Education Fund	27.21%	12.66%	11.54%
Constitutional Budget Reserve Fund	0.19%	2.53%	2.18%
PCE Endowment Fund (AY13)	14.43%	8.71%	9.16%
Public School Trust Fund (AY08)	27.21%	12.71%	10.85%

## Major Budgetary Changes FY2023:

- **Salary and Benefit increases \$870.4 (\$174.1 UGF and \$696.3 Other)**
- **Investment Management Resources \$250.0 (\$50.0 UGF and \$200.0 Other)**
- **PCI Compliance \$100.0 (UGF)**
- **Cash Management Funding Change (\$685.0 Other to UGF)**
- **Allocate investment Fund Authority based on 10 BPS (Net Zero Cost All Funds/\$402.7 UGF Savings)**

# Department Overview: PFD Division

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## PFD Division: **Distribute**

- **Mission:** To administer the permanent fund dividend program assuring that all eligible Alaskans receive timely dividends, fraud is prosecuted, and all internal and external stakeholders are treated with respect
- **Accomplishments:**
  - Online web applications continue to increase, up to 91% vs. 84% in the prior year
  - PFD has continued its work in building a more robust Dividend Application Information System to increase productivity and reduce turn-around for application processing
- **Challenges:**
  - Navigating IT and logistical challenges
  - Continued analysis of continual process improvement, automation of manual processes
  - Protecting Alaskan's personal information

# Department Overview: PFD Division

	Fund Group	FY2023	FY2022	FY2021	FY2020	FY2019	2022-2023		FY2019 - FY2023	
Permanent Fund Dividend Division	UGF	-	19.6	15.0	15.0	30.0	(19.6)	-100.00%	(30.0)	-100.00%
	DGF	377.0	377.1	376.3	375.6	373.3	(0.1)	-0.03%	3.7	0.99%
	Other	10,061.2	8,141.8	7,858.1	8,349.4	8,343.0	1,919.4	23.57%	1,718.2	20.59%
<b>Permanent Fund Dividend Division Total</b>		<b>10,438.2</b>	<b>8,538.5</b>	<b>8,249.4</b>	<b>8,740.0</b>	<b>8,746.3</b>	<b>1,899.7</b>	<b>22.25%</b>	<b>1,691.9</b>	<b>19.34%</b>

Fiscal Year	Division Costs	PFDs Paid	PFD Amount	Cost Per PFD
2015	8,248.3	637,289	1,884.00	12.94
2016	7,833.7	641,561	2,072.00	12.21
2017	8,840.2	638,178	1,022.00	13.85
2018	7,948.7	638,005	1,100.00	12.46
2019	8,200.8	639,247	1,600.00	12.83
2020	8,888.6	633,243	1,606.00	14.04
2021	8,323.5	630,937	992.00	13.19
2022	8,538.5	643,004*	1,114.00	13.28

\*Applications for FY2021 are not complete, this is an estimate based on average approval rates

## Paper Applications

2018 – 117,485 of 670,120 (17.5%)

2019 – 108,939 of 678,325 (16.1%)

2020 – 68,094 of 672,603 (10.1%)

2021 – 60,605 of 673,389 (9%)

## Major Budgetary Changes FY2023:

- Two seasonal positions to assist with PFD filing season \$72.0 (Other)
- PFD Security Mitigation \$2,000.0 (Other)

# Department Overview: Child Support Services Division

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## Child Support Services Division: **Distribute**

- Mission: To collect and distribute child support
- **Accomplishments:**
  - Successfully transitioned off costly mainframe servers to a less expensive solution at a savings of over \$1.1 million annually.
  - Over 344 paternities were established in FY2021
  - Total collections in FY2021 were approximately \$112 million with total distributions to families of approximately \$109 million
- **Challenges:**
  - Staff turnover
  - Automation of manual processes

# Department Overview: Child Support Services Division

	Fund Group	FY2023	FY2022	FY2021	FY2020	FY2019	2022-2023		FY2019 - FY2023	
Child Support Services	UGF	7,557.2	7,725.1	7,815.8	7,881.4	7,770.7	(167.9)	-2.17%	(213.5)	-2.75%
	DGF	50.0	50.0	50.0	50.0	50.0	-	0.00%	-	0.00%
	Fed	17,233.3	17,559.4	17,879.4	18,008.2	17,806.0	(326.1)	-1.86%	(572.7)	-3.22%
<b>Child Support Services Total</b>		<b>24,840.5</b>	<b>25,334.5</b>	<b>25,745.2</b>	<b>25,939.6</b>	<b>25,626.7</b>	<b>(494.0)</b>	<b>-1.95%</b>	<b>(786.2)</b>	<b>-3.07%</b>

FFY	2016	2017	2018	2019	2020
Total Distributed Collections	99,601.0	91,580.0	91,089.0	93,201.0	108,916.0
Cost Effectiveness Ratio (\$ Collected per \$ Spent)					
<i>Alaska</i>	4.10	4.07	3.84	3.88	4.10
<i>Wyoming</i>	7.48	8.55	6.79	7.25	7.31
<i>North Dakota</i>	6.15	6.08	6.22	6.36	6.58
<i>US Average</i>	5.33	5.15	5.14	5.06	5.51

**No Major Budgetary Changes FY2023**

# Department Overview: **Administrative Services Division**

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## **Administrative Services Division: Support**

- **Mission:** To provide efficient, cost-effective, and customer-focused administrative, financial, budget, human resources, and procurement services to DOR
- **Accomplishments:**
  - Implementation of various process improvement initiatives with the Department of Revenue, training materials and alignment of internal policies and procedures with Statewide guidance for HR, SSoA, OPPM and OIT
  - Standup of enterprise risk management program
- **Challenges:**
  - Department and Statewide restructuring efforts
  - Budgetary planning and alignment
  - Enterprise risk management

# Department Overview: Administrative Services Division

	Fund Group	FY2023	FY2022	FY2021	FY2020	FY2019	2022-2023		FY2019 - FY2023	
Administrative Services	UGF	561.1	594.5	534.4	533.5	518.6	(33.4)	-5.62%	42.5	8.20%
	Other	1,419.5	1,416.1	1,458.5	1,456.9	1,440.7	3.4	0.24%	(21.2)	-1.47%
	Fed	461.0	467.7	462.0	810.7	798.1	(6.7)	-1.43%	(337.1)	-42.24%
<b>Administrative Services Total</b>		<b>2,441.6</b>	<b>2,478.3</b>	<b>2,454.9</b>	<b>2,801.1</b>	<b>2,757.4</b>	<b>(36.7)</b>	<b>-1.48%</b>	<b>(315.8)</b>	<b>-11.45%</b>

**No Major Budgetary Changes FY2022**

# Department Overview: Criminal Investigations

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## Criminal Investigations: Support

- Mission: to enforce Department of Revenue's criminal laws and regulations through investigation, public education and use of legal process, and provide inter-law enforcement agency support through data exchange and joint operations.
- **Accomplishments:**
  - Completed 1,815 requests for assistance from outside agencies
  - 341 PFD cases were investigated with 280 referred to PFD for administrative action and 9 cases were referred to Special Prosecutions for criminal charges
  - Cross-state collaboration assisted with the arrest of a high-profile criminal. CIU created cause for arrest for PFD fraud, which led to conviction of a major crime cold case from the 1980's
- **Challenges:**
  - PFD cyber security investigations increasing
  - Increased workflow and frequency



# Department Overview: Criminal Investigations

	Fund Group	FY2023	FY2022	FY2021	FY2020	FY2019	2022-2023		FY2019 - FY2023	
Criminal Investigations Unit	Other	1,123.3	1,151.9	388.4	419.6	415.9	(28.6)	-2.48%	707.4	170.09%
<b>Criminal Investigations Unit Total</b>		<b>1,123.3</b>	<b>1,151.9</b>	<b>388.4</b>	<b>419.6</b>	<b>415.9</b>	<b>(28.6)</b>	<b>-2.48%</b>	<b>707.4</b>	<b>170.09%</b>

**No Major Budgetary Changes FY2023**

# Department Overview: **Alaska Housing Finance Corporation**

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## **Alaska Housing Finance Corporation (AHFC): Invest and Distribute**

- **Mission:** To provide Alaskans access to safe quality, affordable housing.
- **Accomplishments:**
  - Receipt of over \$200 million in federal funding to assist renters and homeowners impacted by COVID-19 pandemic (Alaska Housing Rent Relief Assistance Program)
  - Receipt of over \$41 million interagency federal funding (Enhanced Housing Rent Relive Assistance Program)
  - Provided rent and utility assistance to approximately 21,000 households in Alaska
- **Challenges:**
  - Distribution of an additional federal funds provided for additional rental assistance in a timely fashion
  - Housing needs for senior Alaskans continue to grow. The senior population is increasing faster than the supply of appropriate, affordable housing
  - Overall demand for rental assistance, weatherization, and new construction housing units in rural Alaska far exceeds federal funds available to address these issues

# Department Overview: Alaska Housing Finance Corporation

	Fund Group	FY2023	FY2022	FY2021	FY2020	FY2019	2022-2023		FY2019 - FY2023	
AHFC Operations	Other	38,880.9	136,192.3	38,527.0	38,527.0	38,588.5	(97,311.4)	-71.45%	292.4	0.76%
	Fed	64,156.7	353,159.5	60,966.2	60,466.2	60,071.0	(289,002.8)	-81.83%	4,085.7	6.80%
<b>AHFC Operations Total</b>		<b>103,037.6</b>	<b>489,351.8</b>	<b>99,493.2</b>	<b>98,993.2</b>	<b>98,659.5</b>	<b>(386,314.2)</b>	<b>-78.94%</b>	<b>4,378.1</b>	<b>4.44%</b>

## AHFC Dividend:

- FY22- \$42.6M
- FY21- \$45.6M
- FY20- \$39.0M
- FY19- \$29.4M
- FY18- \$30.4M
- FY17- \$25.9M
- FY16- \$7.5M

## Major Budgetary Changes FY2023:

- Foster Youth to Independence and Emergency Housing Voucher Programs (\$3.2 M Federal)
- FY2022 Rental Assistance stimulus skews budgetary trend (~\$240 Million)
- FY2023 budget reversion back to mean with no major changes for historical operations

# Department Overview: **Alaska Permanent Fund Corporation**

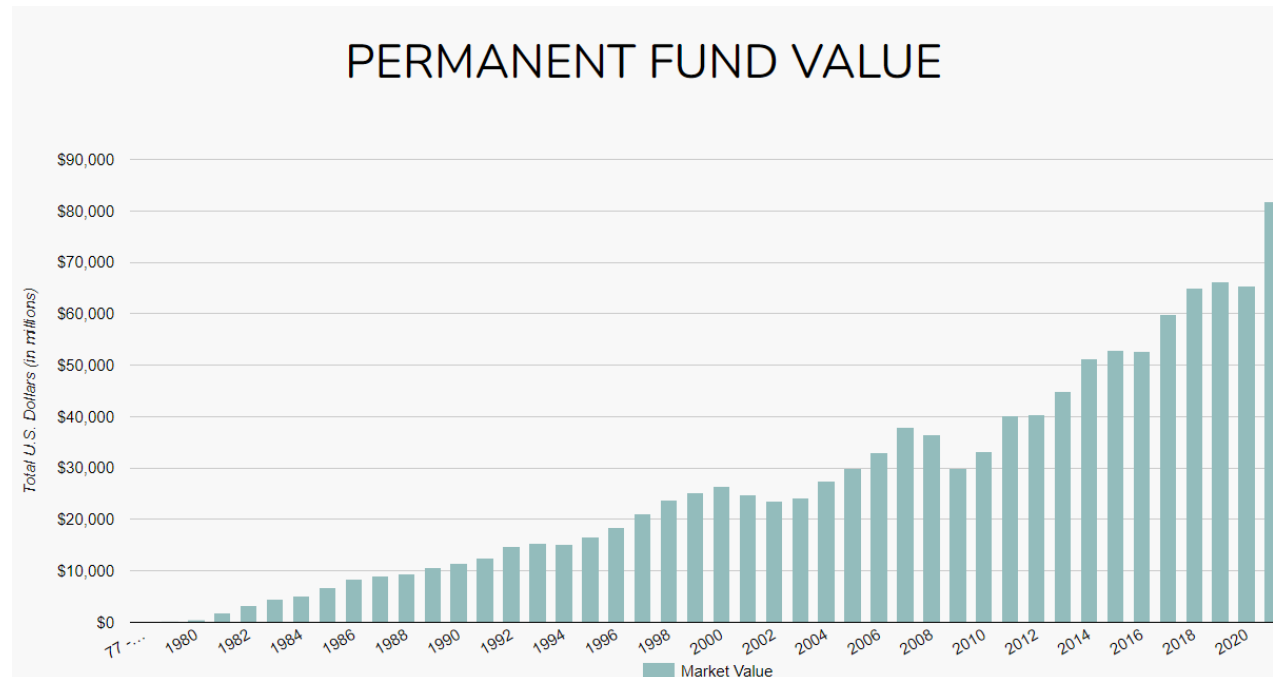
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## **Alaska Permanent Fund Corporation (APFC): Invest**

- **Mission:** To manage and invest the assets of the Permanent Fund and other funds designated by law
- **Accomplishments:**
  - For FY2021, the Fund ended the year with a value of \$81.9 billion in assets under management. This is comprised of \$60.7 billion in the Principal of the Fund and \$21.2 billion in the Earnings Reserve Account (ERA)
  - FY2021 Total return of 29.73%
  - The Fund's total rate of return for the 10-year period ended June 30, 2021, was 9.11%, ahead of both the Passive Index (7.31%) and the Performance (8.37%) benchmark returns
- **Challenges:**
  - Maintaining real growth in excess of the 5% over long periods of time
  - Ensuring inflation proofing to avoid growth stagnation of the Principal of the Fund

# Department Overview: Alaska Permanent Fund Corporation\*

	Fund Group	FY2023	FY2022	FY2021	FY2020	FY2019	2022-2023		FY2019 - FY2023	
APFC Operations	Other	21,934.0	19,536.0	17,680.7	17,800.4	18,074.6	2,398.0	12.27%	3,859.4	21.35%
<b>APFC Operations Total</b>		<b>21,934.0</b>	<b>19,536.0</b>	<b>17,680.7</b>	<b>17,800.4</b>	<b>18,074.6</b>	<b>2,398.0</b>	<b>12.27%</b>	<b>3,859.4</b>	<b>21.35%</b>



## Major Budgetary Changes FY2023:

- Incentive Compensation: \$710.0 (Other)
  - Builds on \$890.0 in FY21
- Staffing Support: \$1,572.6 (Other)
- Merit and Cost of Living Adjustment: \$438.4 (Other)
- Board Honorarium: \$3.4 (Other)
- Communication Contractual Services and IT: \$71.0 (Other)
- External Manager Fees: \$2,828.9 (Other)



\*Excludes \$195.9 million fee appropriation

# Department Overview: Alaska Municipal Bond Bank Authority

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## Alaska Municipal Bond Bank Authority (AMBBA): Distribute

- Mission: to provide authorized borrowers with financing options for capital projects
- Accomplishments:
  - \$51.7 Estimated savings to Alaskans through lowered borrowing costs
  - Entered into 57 loan agreements, with approximately \$30 million in new projects, approximately \$288.1 million to refinance current borrower loan for savings, and approximately \$35.4 million to refinance loans not originally issued through the Bond Bank for savings.
- Challenges:
  - The outlook on all Bond Bank credit ratings is negative. As of September 30, 2020, the Bond Bank's ratings were A+/A/A1 from S&P Global Ratings (S&P), Fitch Ratings (Fitch), and Moody's Investors Service, Inc., respectively.

# Department Overview: Alaska Municipal Bond Bank Authority

	Fund Group	FY2023	FY2022	FY2021	FY2020	FY2019	2022-2023		FY2019 - FY2023	
AMBBA Operations	Other	1,014.3	1,021.5	1,009.5	1,009.3	1,006.6	(7.2)	-0.70%	7.7	0.76%
<b>AMBBA Operations Total</b>		<b>1,014.3</b>	<b>1,021.5</b>	<b>1,009.5</b>	<b>1,009.3</b>	<b>1,006.6</b>	<b>(7.2)</b>	<b>-0.70%</b>	<b>7.7</b>	<b>0.76%</b>

**No Major Budgetary Changes FY2023**

# Department Overview: **Alaska Mental Health Trust Authority**

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## **Alaska Mental Health Trust Authority (AMHTA): Distribute**

- **Mission:** It is the duty of the Alaska Mental Health Trust Authority to provide leadership in the advocacy, planning, implementing and funding of services and programs for Trust beneficiaries.
- **Accomplishments:**
  - **Granted more than \$21.0M over 194 grants for FY2021**
  - **Trust ended FY2021 with \$971.4 million in total assets, and increase of \$194.0 million from FY2020**
  - **Investment performance increased net position by 25.9% for FY2021**
- **Challenges:**
  - **Monitoring the implementation and effectiveness of the Comprehensive Integrated Mental Health Program plan, and identifying areas where change is needed.**
  - **Lack of In-Person Engagement with Beneficiaries and Partners**



# Department Overview: Alaska Mental Health Trust Authority

	Fund Group	FY2023	FY2022	FY2021	FY2020	FY2019	2022-2023		FY2019 - FY2023	
Long Term Care Ombudsman Office	UGF	516.6	525.8	487.2	465.5	500.8	(9.2)	-1.75%	15.8	3.15%
	Other	409.4	414.8	413.5	413.5	413.3	(5.4)	-1.30%	(3.9)	-0.94%
<b>Long Term Care Ombudsman Office Total</b>		<b>926.0</b>	<b>940.6</b>	<b>900.7</b>	<b>879.0</b>	<b>914.1</b>	<b>(14.6)</b>	<b>-1.55%</b>	<b>11.9</b>	<b>1.30%</b>
	Fund Group	FY2023	FY2022	FY2021	FY2020	FY2019	2022-2023		FY2019 - FY2023	
Mental Health Trust Operations	DGF	-	-	500.0	500.0	500.0	-	-	(500.0)	-100.00%
	Other	4,379.6	4,370.4	4,245.1	4,125.3	4,165.3	9.2	0.21%	214.3	5.14%
<b>Mental Health Trust Operations Total</b>		<b>4,379.6</b>	<b>4,370.4</b>	<b>4,745.1</b>	<b>4,625.3</b>	<b>4,665.3</b>	<b>9.2</b>	<b>0.21%</b>	<b>(285.7)</b>	<b>-6.12%</b>

Fiscal Year	2015	2016	2017	2018	2019	2020	2021
Total AMHTA Distributed Funds	28,497,000.00	28,126,500.00	28,234,000.00	28,908,000.00	29,438,000.00	31,875,600.00	32,839,100.00

Fiscal Year 2022 Payout	
Payout	26,510,300.00
Prior Years Carried Forward	3,041,100.00
Land Office Spendable Income	4,596,800.00
Interest Income	732,900.00
<b>Total</b>	<b>34,881,100.00</b>

**No Major Budgetary Changes FY2023**

## Department Overview:

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# Questions or Comments?