

**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	<b>Net Zero</b> (\$48.7) Gen Fund (UGF) \$48.7 GF/Prgm (DGF)	<b>Net Zero</b> (\$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 (Vetoed)	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	<b>Net Zero</b> (\$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)	<b>Net Zero</b> (\$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.  <b>Items 3 and 4 are related.</b>
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.  <b>Fiscal Analyst Comment:</b> 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.  <b>Items 3 and 4 are related.</b>

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5	Taxation and Treasury / Alaska Retirement Management Board Custody and Management Fees	Reduce Authority for Management Fee Savings	<b>Total: (\$10,000.0)</b> (\$4,788.2) Group Ben (Other) (\$3,608.6) PERS Trust (Other) (\$1,603.2) Teach Ret (Other)	<b>Total: (\$10,000.0)</b> (\$4,788.2) Group Ben (Other) (\$3,608.6) PERS Trust (Other) (\$1,603.2) Teach Ret (Other)	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	<p>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.</p> <p>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.</p> <p><b>Items 6 and 7 are related.</b></p>
7	Various	Reduce Authority for Child Support Services	<b>Total: (\$1,476.5)</b> (\$1,019.2) Fed Rcpts (Fed) (\$457.3) GF/Match (UGF)	<b>Total: (\$1,476.5)</b> (\$1,019.2) Fed Rcpts (Fed) (\$457.3) GF/Match (UGF)	<p>Four separate decrements to the Child Support Services Division (CSSD) are included in the FY22 budget as follows:</p> <p>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.</p> <p>A \$110.4 decrement to the operating budget results from an existing programmer position receiving funding through the FY21 supplemental capital</p>

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7	Various	Reduce Authority for Child Support Services	<b>Total: (\$1,476.5)</b>  (\$1,019.2) Fed Rcpts (Fed) (\$457.3) GF/Match (UGF)	<b>Total: (\$1,476.5)</b>  (\$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.  <b>Items 6 and 7 are related.</b>
8	Administration and Support / Commissioner's Office	GA 170 Departmentwide Risk Management	\$194.4 Gen Fund (UGF)	\$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.
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)	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.
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)	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.  The second approach involved a \$500.0 appropriation to the Trust, subject to annual appropriation by the legislature, to develop and implement a prevention

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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) <b>MultiYr</b>	\$164,568.1 COVID Fed (Fed) <b>MultiYr</b>	<b>Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA)</b>  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.

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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.  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.
14	Various	SB 55, Ch. 9, SLA 2021 Employer Contributions to PERS	\$1,125.4 Gen Fund (UGF)	\$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.