

Department of Revenue
FY2024 - Summary of Significant Budget Issues
(\$ thousands)

Narrative report for significant items in the Governor's FY24 budget.

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
9	Alaska Permanent Fund Corporation / APFC Operations	Tri-Annual Workstation Replacement	\$239.7 PF Gross (Other) IncOTI	APFC workstation replacement occurs on a three-year cycle, and all workstations are scheduled to be replaced in FY24. The APFC Board of Director's budget proposal estimates this will cost \$229.0. This one-time increment also includes \$10.7 to account for increased costs of office supplies and subscriptions.
10	Alaska Permanent Fund Corporation / APFC Operations	Consulting & IT Improvements	\$251.0 PF Gross (Other)	<p>APFC's budget proposal includes various changes to contractual services, leading to a net increase of \$251.0:</p> <ol style="list-style-type: none"> 1. \$20.5 in audit, legal, and consulting fees. The increase is mostly due to aligning Investment Advisory Group budgeting with actuals. FY22 actual expenses for the Investment Advisory Group exceeded the budgeted amount by \$18.0. 2. \$51.6 for public communications. The communications consultant contract is up for renewal at the end of FY23. A 15% increase has been estimated due to a combination of inflationary pressures across the services industry and APFC's increased visibility. The growth also considers preparations under the new contract to recognize the Fund's 50th Anniversary in November 2026. 3. \$32.3 to support an increased number of Board meetings in FY24. 4. \$150.0 for a new fire suppression system in the Juneau data center. 5. \$10.0 to expand recruitment postings to specialized websites. 6. \$9.4 for increased training and education for employees. 7. (\$22.8) savings in office support resulting from DOR pass-through charges.
11	Alaska Permanent Fund Corporation / APFC Operations	APFC Board Proposals not Included in Governor's Budget	n/a	<p>The FY24 proposed budget approved by the Alaska Permanent Fund Corporation (APFC) Board of Trustees included multiple items not included in the Governor's budget proposal:</p> <ol style="list-style-type: none"> 1. \$914.0 to increase base salary funding by 8% overall. \$685.5 would be distributed at managers' discretion based on merit. The remaining \$228.5 would fund targeted salary adjustments for specific positions where compensation is found to be substantially below market rates. 2. \$1,200.0 to increase incentive compensation for investment staff. \$1,600.0 for incentive compensation is included in the base budget, so this proposal would bring the total amount available to \$2,800.0. This funding represents a maximum possible amount, as bonuses are only paid based on performance relative to benchmarks. At the December 2022 Quarterly Meeting, the APFC Board voted to update the incentive compensation policy, including allowing bonuses to be paid in years with negative returns. The Board also voted to retrospectively apply the change to

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11	Alaska Permanent Fund Corporation / APFC Operations	APFC Board Proposals not Included in Governor's Budget	n/a	<p>(continued)</p> <p>FY22 returns, allowing for payment of the FY22 Performance Bonuses (which are paid out in FY23) conditional on communications with Legislative Leadership and the Administration. While APFC outperformed benchmarks in FY22, it saw a negative overall return, and the bonus program policy at the time did not allow bonus payments for years with negative returns.</p> <p>3. \$500.0 to expand incentive compensation eligibility to all staff. Currently only investment staff qualify for incentive compensation.</p> <p>4. \$181.1 in additional travel expenses, due to increased staffing and inflationary pressures. The Governor's FY24 budget proposal has \$800.0 in total travel expenses, the same as FY23.</p>
12	Alaska Permanent Fund Corporation / APFC Investment Management Fees	Investment Management Fees	(\$3,004.4) PF Gross (Other)	<p>APFC's proposed budget for the Investment Management Fees allocation includes multiple changes, leading to a net decrease of (\$3,004.4). Investment fees are estimated based on fund value projections, and APFC budgets cautiously to ensure that it can meet its obligations to external parties.</p> <p>1. \$2,000.0 for creation and maintenance of a data repository. The amount is based on preliminary estimates from a potential vendor. The repository would combine all proprietary and external data into a single platform.</p> <p>2. \$757.5 to account for increased costs of existing subscriptions to analytical and risk management tools.</p> <p>3. \$2,303.8 due to increasing assets under management in alternative investments.</p> <p>4. (\$8,464.9) in savings due to bringing fixed income in-house and ending contracts with external managers.</p> <p>5. \$400.0 as a placeholder to potentially outsource middle-office functions. APFC has experienced significant turnover in their middle-office, which oversees trade operations. Consistent middle-office support is essential to operations, and APFC maintains that it is important this authority is available, since it is still determining whether current in-house expertise remains resilient to turnover.</p> <p>6. (\$0.8) in savings due to reduced projected real estate and public equities fees.</p>