

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSHB 236(W&M)
 (H) Publish Date: 3/18/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Employment Tax for Education RDU Revenue Programs & Services
 Component Tax Division
 Sponsor Representative Wilson
 Requester House Ways & Means Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	92.0	0.0	608.4	915.5	866.3	866.3
Travel	12.0	0.0	14.0	17.0	13.0	13.0
Contractual	125.0	38.0	220.6	206.8	198.6	198.6
Supplies	1.0	0.0	13.0	18.0	17.0	17.0
Equipment	8.0		176.0	0.0	0.0	0.0
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	238.0	38.0	1,032.0	1,157.3	1,094.9	1,094.9

CAPITAL EXPENDITURES	683.3					
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CHANGE IN REVENUES ()	0.0	0.0	28,500.0	42,900.0	42,900.0	42,900.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	921.3	38.0	1,032.0	1,157.3	1,094.9	1,094.9
1005 GF/Program Receipts						
1037 GF/Mental Health						
Constitutional Budget Reserve Fund						
TOTAL	921.3	38.0	1,032.0	1,157.3	1,094.9	1,094.9

Estimate of any current year (FY2004) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time	1	0	13	13	12	12
Part-time						
Temporary	0	0	10	10	10	10

ANALYSIS: (Attach a separate page if necessary)

See page 2 for analysis.

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 Division: Tax Division
 Approved by: Steve Porter, Deputy Commissioner
 Agency: Department of Revenue

Phone 465-2320
 Date/Time 3/17/04 6:34 AM
 Date 3/17/2004

FISCAL NOTE #2

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BILL NO. CSHB 236(W&M)

ANALYSIS CONTINUATION

Revenues

Using figures from the Fall 2003 Forecast updated for actual oil prices and production volumes, we project that the cash balance of the CBRF at June 30, 2006 will be below the \$1.5 billion threshold. Accordingly, this fiscal note assumes that the tax goes into effect as of January 1, 2007. The actual initiation of the tax depends on the price of oil and other factors and could reasonably occur in FY06 or in years after FY07.

The Department estimates the new program could generate as much as \$42.9 million a year in state revenue in a full fiscal year and \$28.5 million in the first fiscal year in which the tax is imposed. This estimate is based not on the number of jobs in Alaska, but on the number of different individuals who hold those jobs during the year and the number of individuals who are self-employed in the state.

Operating Expenditures

Using the previously described assumptions, the department must put in place a technological and administrative infrastructure in preparation for implementation of the program as early as FY06. The fiscal note therefore reflects capital and operating costs for developing the infrastructure during FY05. FY06 operating costs represent system licensing and maintenance costs pending deployment in FY07. All operating cost estimates assume that the program is wholly administered by the Department of Revenue. The estimates are subject to adjustment based on efficiencies or incremental costs resulting from joint administration with the Department of Labor and Workforce Development.

For purposes of this estimate we assume that we will receive 75,000 returns/reports/payments from businesses and self-employed individuals during the year, plus an estimated 12,000 refund claims.

We project it will require 13 full-time and 10 temporary workers to administer the new program falling to 12 full time staff and 10 temps in the third year of the tax. Staffing costs reflect a start-up group growing to full staffing in the third quarter of FY07. The Department would employ imaging technology and electronic filing as much as possible to reduce the program's costs to the state and to employers.

Contractual costs for FY05 include the cost of a project manager to facilitate systems development and implementation.

The \$683,300 capital request for FY05 is to pay for a large-scale imaging and data capture system, to accommodate data for businesses and an estimated 429,000 individuals each year, a web-based system to allow businesses and self-employed individuals to file paperless returns, and electronic filing on magnetic media or disk for businesses.