

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: 3  
 Bill Version: CSHB 236(FIN)  
 (H) Publish Date: 3/29/04

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 Finance Component No. 2476

**Expenditures/Revenues** (Thousands of Dollars)

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

<b>OPERATING EXPENDITURES</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
Personal Services	92.0	92.0	0.0	608.4	915.5	866.3
Travel	6.0	6.0	0.0	14.0	17.0	13.0
Contractual	32.5	100.5	38.0	220.6	206.8	198.6
Supplies	1.0	1.0	0.0	13.0	18.0	17.0
Equipment	8.0		0.0	176.0	0.0	0.0
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>139.5</b>	<b>199.5</b>	<b>38.0</b>	<b>1,032.0</b>	<b>1,157.3</b>	<b>1,094.9</b>

<b>CAPITAL EXPENDITURES</b>	<b>330.3</b>	<b>353.0</b>				
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>30,110.4</b>	<b>45,790.8</b>	<b>46,248.7</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	469.8	199.5	38.0	1,032.0	1,157.3	1,094.9
1005 GF/Program Receipts						
1037 GF/Mental Health						
Constitutional Budget Reserve Fund						
<b>TOTAL</b>	<b>469.8</b>	<b>199.5</b>	<b>38.0</b>	<b>1,032.0</b>	<b>1,157.3</b>	<b>1,094.9</b>

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	1	0	13	13	12
Part-time						
Temporary	0	1	0	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 3/18/04 9:49 AM  
 Date 3/18/2004

## FISCAL NOTE #3

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

BILL NO. CSHB 236(FIN)

### ANALYSIS CONTINUATION

#### **Revenues**

Using price figures from the current NYMEX futures curve we project that the cash balance of the CBRF at June 30, 2007 will be below the \$1 billion threshold. Accordingly, this fiscal note assumes that the tax goes into effect as of January 1, 2008. The actual initiation of the tax depends on the price of oil and other factors. The fall forecast suggests an implementation date a year earlier. However, for purposes of illustrating the creation of the systems, a period of dormancy and using the systems to implement the tax we have used a price projection that allows the tax to be implemented after a period of dormancy.

Assuming a 1% employment growth rate and that the tax begins on January 1, 2008, we project FY08 revenues of \$30,110.4 million and revenues of \$45,790.8 million in FY09, the first fiscal year during which the tax is in effect for the entire year. 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**

Given the uncertainty in the assumptions described above the department should put in place a technological and administrative infrastructure in preparation for implementation of the program as early as FY07. The fiscal note therefore reflects capital and operating costs for developing the infrastructure during FY05 and FY06. 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 FY08. 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 and FY06 include the cost of a project manager to facilitate systems development and implementation. Contractual costs for FY07 represent the estimated fixed costs of systems pending start up.

The \$683,300 capital requests for FY05 and FY06 is to pay for a large-scale imaging and data capture system, to accommodate data for businesses and an estimated 430,000 to 470,000 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.