

HOUSE FINANCE COMMITTEE
February 22, 2024
1:42 p.m.

1:42:34 PM

CALL TO ORDER

Co-Chair Johnson called the House Finance Committee meeting to order at 1:42 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Neal Foster, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Andy Josephson
Representative Dan Ortiz
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Eric DeMoulin, Administrative Services Director, Department of Revenue; Genevieve Wojtusik, Director, Permanent Fund Dividend Division, Department of Revenue.

PRESENT VIA TELECONFERENCE

Adam Crum, Commissioner, Department of Revenue; Steve Williams, CEO, Alaska Mental Health Trust; Bryan Butcher, CEO, Alaska Housing Finance Corporation; Deven Mitchell, CEO, Alaska Permanent Fund Corporation; Brandon Spanos, Acting Director, Tax Division, Department of Revenue.

SUMMARY

HB 268 APPROP: OPERATING BUDGET; CAP; SUPP; AM

HB 268 was HEARD and HELD in committee for further consideration.

HB 270 APPROP: MENTAL HEALTH BUDGET

HB 268 was HEARD and HELD in committee for further consideration.

OVERVIEW: DEPARTMENT OF REVENUE FY 25 BUDGET

Co-Chair Johnson reviewed the meeting agenda.

#hb268

#hb270

HOUSE BILL NO. 268

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making capital appropriations; making supplemental appropriations; making reappropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HOUSE BILL NO. 270

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

^OVERVIEW: DEPARTMENT OF REVENUE FY 25 BUDGET

Co-Chair Johnson discussed the meeting agenda.

[1:44:31 PM](#)

ERIC DEMOULIN, ADMIN SERVICES DIRECTOR, DEPARTMENT OF REVENUE, introduced the PowerPoint presentation "Department of Revenue FY2025 Governor's Amended Budget Overview" dated February 22, 2024 (copy on file).

ADAM CRUM, COMMISSIONER, DEPARTMENT OF REVENUE, ANCHORAGE (via teleconference), began the presentation on slide 2 titled "Agenda:"

- Department overview and introduction
- FY2025 Department budget priorities
- Year-over-year budget comparison
- Division budget overview
- Corporations and Authorities budget overview
- Position history

Commissioner Crum reviewed slide 3 titled "Department Overview: Mission and Introduction:"

Mission: To Collect, Distribute, and Invest funds for public purposes.

Values

- Integrity
- Stewardship
- Professionalism
- Empowerment

Agency Divisions

- Tax Division
- Treasury Division
- Permanent Fund Dividend Division
- Child Support Enforcement Division
- Commissioner's Office and Administrative Services

Corporations & Authorities

- Alaska Mental Health Trust Authority
- Alaska Housing Finance Corp
- Alaska Permanent Fund Corp
- Alaska Muni Bond Bank Authority

Statewide Items

- Permanent Fund
- Shared Taxes
- Retirement and Debt Service
- Dividend Raffle

Commissioner Crum reviewed slide 4 titled "Department Overview: Organization." He pointed to the organizational make-up of the department that contained 5 divisions under the Commissioner's Office: Tax Division, Treasury Division, Permanent Fund Dividend Division, Child Support Enforcement Division, and Administrative Services Division. He listed the Authorities and Corporations that also held a trustee or board seat for the Commissioner. Alaska Mental Health Trust Authority (AMHTA), Alaska Housing Finance Corporation

(AHFC), Alaska Permanent Fund Corporation (APFC), and the Alaska Municipal Bond Bank Authority (AMBBA).

Mr. DeMoulin continued on slide 5 titled "Department Overview: Statewide UGF Comparison." He indicated that the graph depicted where the Department of Revenue (DOR) placed in Undesignated General Fund (UGF) spend compared to other departments. He advanced to slide 6 titled "Department Overview: Total Budget by Fund Group:"

The FY2025 Governor's Amended Budget totals \$464,870.1 in all funds and includes 835 PFT positions

- The increase from Adjusted Base totals \$9,571.8 in all funds
- \$2,328.8 UGF
- -\$13.4 DGF
- \$6,696.4 Other
- \$560.0 Fed

Mr. DeMoulin reported that the bar graph provided a visual representation of how DOR's funding was comprised. He pointed to Other Funds and noted it was the largest fund group.

Co-Chair Edgmon was temporarily passed the gavel.

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Representative Hannan asked about the dramatic drop between the FY 24 Management Plan and the FY 25 Governor's Adjusted Base in the Other Category. She asked for more information. Mr. DeMoulin responded that it was due to a technical change item that caused the discrepancy. He relayed that it was due to a decrease and multi-year reversal for AHFC COVID and federal dollars.

Co-Chair Edgmon noted that it was the first year that DOR stopped managing the Power Cost Equalization Fund (PCE). He thought that some positions were eliminated. Mr. DeMoulin replied that not managing PCE did not have a direct correlation to DOR's appropriated budget. The change did not warrant a decrease in staff or resources. He highlighted slide 7 titled "Department Overview: Budget Priorities:"

Child Support Enforcement Class Study Implementation: The Child Support Enforcement Division has effectively been managing vacancy rates of over 20 percent over the last two years. The completion of our class study

was paramount in making these job classes more attractive to potential employees and we've seen a significant increase in applications through the last recruitment cycle.

Permanent Fund Dividend Division: Over the last five years, the division has seen operational increases as with most other agencies. The USPS increased postage rates, our service agreements and chargebacks from other agencies have increased and we're seeing increases for external support contracts.

Mr. DeMoulin believed that the reclassifications would decrease the vacancy rate in the division within a few months.

Representative Galvin understood that the job classifications moved up two rankings and wondered how it translated via percentages. Mr. DeMoulin recalled that it was more than a 5 percent increase and closer to 15 percent to 20 percent. He would follow up with the exact number. Representative Galvin remarked that the increase made sense to her considering the duties involved in the job.

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Mr. DeMoulin continued to discuss the Permanent Fund Dividend Division increases.

Co-Chair Edgmon requested that the director speak to the increases. He thought that most Permanent Fund Dividend (PFD) deposits were electronic.

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GENEVIEVE WOJTUSIK, DIRECTOR, PERMANENT FUND DIVIDEND DIVISION, DEPARTMENT OF REVENUE, responded that 80 percent of Alaskans filed for the dividend online. However, 20 percent did not, and the division still engaged in a significant amount of mail correspondence. In addition, the division sent over 50 thousand paper warrants each year and sent over 200 thousand 1099s per year. She deduced that at .66 cents per piece of mail the costs added up. Co-Chair Edgmon asked for the ratio of mail versus electronic deposit. Ms. Wojtusik answered that over 500 thousand opted for direct deposit versus 40 thousand to 55 thousand that requested a paper check each year. Co-Chair Edgmon asked

for the percentage ratio. Ms. Wojtusik reiterated that over 80 percent file electronically, but some opted for a paper check versus direct deposit.

Representative Stapp asked why not all 1099s could be sent electronically. Ms. Wojtusik responded that Alaskans had a choice between electronic or mail. Representative Stapp asked how the process worked and if there was a default. Ms. Wojtusik responded that a person had the choice by checking a box and if not checked the division reached out via email or phone call. Representative Stapp asked if it was possible to default applicants into the electronic system. Ms. Wojtusik responded "yes and no." She indicated that an email address was not required on the application.

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Representative Hannan presumed that 20 percent amounted to 50 thousand warrants mailed. Ms. Wojtusik answered in the affirmative. Representative Hannan appreciated the desire for efficiencies but was grateful for the mail options for those in the unbanked population. Ms. Wojtusik offered that the division did incentivize online and direct deposit use by issuing the warrant electronically two weeks earlier than via mail.

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Mr. DeMoulin turned to slide 8 titled "Department Overview: Tax Division:"

Mission: Collect taxes, inform stakeholders and regulate charitable gaming.

FY2025 Governor's Amended Budget \$19,193.3: \$18,035.2 UGF, \$951.3 DGF, \$206.8 Other (94 PFT, 2 NP)

FY 2025 Governor's Amended Budget:

Tax Revenue Management System (TRMS) Anticipated Contract Cost Increases +1,037.7 1004 General Fund (UGF) Continues maintenance and support contract.

Property and Production Tax Site Inspections and Training +102.5 1004 General Fund (UGF) Increases opportunities for staff to visit property tax and

oil and gas production tax sites to perform accurate and timely assessments.

Economic Modeling Tools +96.5 1004 General Fund (UGF) Provides the Economic Research Group (ERG) with additional fiscal and economic modeling tools.

Total + \$1,236.7 million

Mr. DeMoulin addressed slide 9 titled "Department Overview: Treasury Division:"

Mission: to manage the state's funds consistent with prudent investment guidelines and Governmental Accounting Standards Board (GASB) rules

FY2025 Governor's Amended Budget
\$11,937.5: \$2,264.8 UGF, \$347.2 DGF, \$9,325.5 Other (41 PFT)

No Major Changes in FY2025 Governor's Amended Budget

Mr. DeMoulin highlighted slide 10 titled "Department Overview: Alaska Retirement Management Board:"

Mission: to manage the state's retirement and benefit plan funds consistent with prudent investment guidelines and Governmental Accounting Standards Board (GASB) rules.

FY2025 Governor's Amended Budget:
\$10,808.3: \$10,808.3 Other

Maintain Investment Data Services
+150.0 +69.0 1017 Ben Sys (Other) +51.6 1029 PERS (Other) +28.2 1034 TRS (Other) +1.0 1042 JRS (Other) +0.2 1045 Nat Guard (Other)

Maintains financial data services such as Bloomberg, Moodys Analytics, TradeWeb, and Fitch Solutions.

Add Previously Unbudgeted Costs for FY2023 Exempt 5% COLA for Treasury Division
+235.9 +111.0 1017 Ben Sys (Other) +78.3 1029 PERS (Other) +43.0 1034 TRS (Other) +1.5 1042 JRS (Other) +2.1 1045 Nat Guard (Other)

Funds Treasury Division interagency receipts from
FY2023 HB226 5% COLA salary adjustments

Add Authority to Fund Interagency Receipts Added in
Treasury Division FY 2025 Salary Adjustment
+161.5 +75.7 1017 Ben Sys (Other) +54.8 1029 PERS
(Other) +29.6 1034 TRS (Other) +1.2 1042 JRS (Other)
+0.2 1045 Nat Guard (Other)

Funds Treasury Division interagency receipts from
FY2025 salary adjustments

Total \$547.4

Mr. DeMoulin continued to slide 11 titled "Department
Overview: Permanent Fund Dividend (PFD) Division:"

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.

FY 2025 Governor's Amended Budget
\$9,096.5: \$383.8 DGF, \$8,712.7 Other (64 PFT, 2 PPT, 2
NP)

Legal and Adjudication Services from the Department of
Law and Office of Administrative Hearings +90.0 1050
PFD Fund (Other) Maintains legal and administrative
hearing services as the Division experiences increases
in fraud and appeals.

Increased Postage Costs Due to Increased Federal Rate
and Mailings +70.0 1050 PFD Fund (Other) Maintains
postage and mailing services as the Division
experiences increases in United States Postal Service
(USPS) postage rates and additional mailings for
applicants opting for physical documents

Annual Life Cycle Computer and Equipment Refresh +52.7
1050 PFD Fund (Other) Supports a four-year refresh
cycle. Capital appropriations have been provided in
the past for this cost.

Call Center System Contract +10.0 1050 PFD Fund
(Other) Funds a call center solution shared with the
Child Support Enforcement Division

Total \$222.7

Representative Hannan asked why the computer refresh was not in the base budget. Mr. DeMoulin replied that the PFD had typically financed its computer upgrades in the Capital Budget. Representative Hannan asked whether the switch to the operating budget will be ongoing and part of the base budget into the future. Mr. DeMoulin responded in the affirmative.

[2:03:23 PM](#)

Mr. DeMoulin moved to slide 12 titled "Department Overview: Child Support Enforcement Division (CSED):"

Mission: To collect and distribute child support.

FY2025 Governor's Amended Budget:

\$27,867.4: \$8,881.5 UGF, \$50.0 DGF, \$3.2 Other,
\$18,932.7 Fed (192 PFT)

Child Support Enforcement Specialist Class Study
+1,275.4 +822.5 1002 Fed (Fed) +433.6 1003 GF Match
(UGF) +19.3 1004 General Fund (UGF)

A class study was implemented in December 2023 and impacts 107 budgeted positions within the division.

Replace Estimated Reduction of Federal Funds for Child Support Enforcement Net Zero

-292.0 1002 Fed (Fed) +292.0 1004 General Fund (UGF)

Fund change from federal to general funds due to an increase in federal ineligible cases.

Call Center System Contract +40.0 +26.4 1002 Fed (Fed)
+13.6 1003 GF Match (UGF)

Funds a call center solution shared with the PFD Division.

Total \$1.315.4

Mr. DeMoulin spoke to the second item. He explained that the item was a technical change in funding sources. The change was associated with the Title 4 program in CSED and the Office of Children's Services (OCS) in the Department of Family and Community Services (DFCS) when CSED enforced child support on behalf of children in custody of OCS. If a case was deemed ineligible by OCS it was also reciprocally ineligible in CSED.

Mr. DeMoulin continued on slide 13 titled "Commissioner's Office:"

Mission: The mission of the Department of Revenue is to collect, distribute, and invest funds for public purposes.

FY2025 Governor's Amended Budget:
\$1,662.1: \$687.8 UGF, \$640.8 Other, \$333.5 Fed (5 PFT, 2 NP)

Budget Existing Special Assistant and Policy Analyst Positions
+456.7 1007 Interagency Receipts (Other)

Adds budget authority for existing Special Assistant and Policy Analyst positions and aligns travel authority with historical averages.

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Representative Hannan asked if the two new positions were added when Commissioner Crum became commissioner. Mr. DeMoulin responded in the affirmative. Representative Hannan asked if both positions were currently filled. Mr. DeMoulin responded that one employee had recently resigned. Representative Hannan asked which position had resigned and requested the individual's name. Mr. DeMoulin responded that it was a Special Assistant II to the commissioner. It had been filled by Lewellen Smyth in the Anchorage office. Representative Hannan asked what the scope of the policy analyst position was. Mr. DeMoulin replied that there were not existing policy related positions in the department currently, however, historically there had been policy staff in the commissioner's office. He furthered that they had eliminated a deputy commissioner position and added the two new positions. The policy analyst position was currently vacant.

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Commissioner Crum answered that the policy analyst position was currently open. He noted that there were many issues like energy issues where DOR wanted the capacity to respond to questions and concerns rather than react. Representative Hannan wondered whether the elimination of a deputy commissioner position would show a deduction in the budget. Mr. DeMoulin responded that the \$454.7 thousand was a cumulative representation of the additions and decrements in staffing. The addition of a deputy commissioner would have increased costs over \$600 thousand.

Co-Chair Foster asked when the special assistant position was filled. Mr. DeMoulin replied that it was filled but he could not recall the exact hire date.

Commissioner Crum interjected that he did not remember the exact date sometime last year.

Co-Chair Foster asked why the positions were not included in the governor's original December 15 budgets as well as many other items listed in the presentation. He believed that many items should have been known at the time of the original budget request. He believed that the items could have been omitted from the original budget to make the total of the budget request appear lower. Mr. DeMoulin answered in the affirmative. He added that the budget process with the Office of Management and Budget was "iterative". The reason the item was delayed was to decide on the funding source. Co-Chair Foster noted other items that he thought should have gone into the initial December 15th budget request. He alerted all the departments that he planned to bring the issue up more often when warranted.

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Co-Chair Johnson resumed chairing the meeting.

Representative Galvin understood the need for staff regarding the energy issues the state was facing particularly with the demand for modeling. She wondered if the tax division had the adequate staff versus adding positions in the commissioner's office. Commissioner Crum responded that currently the tax division had sufficient staff and was capable of performing the specific fiscal modeling. He indicated that as the issues progressed, he

would work closely with the governor's office to ensure there was enough capacity. He currently worked closely with the Department of Natural Resources (DNR) and its economists. The policy position within his office was needed to ensure that DOR's fiscal modeling conformed with statutes.

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Mr. DeMoulin continued to slide 15 titled "Department Overview: Administrative Services Division:"

Mission: To provide efficient, cost-effective, and customer-focused administrative, financial, budget, human resources, procurement, and IT services.

FY2025 Governor's Amended Budget:

\$3,355.4: \$787.7 UGF, \$2,090.2 Other, \$477.5 Fed (20 PFT) Fund FY2024 Transfer of 4 IT Help Desk Positions +499.2 1007 Interagency Receipts (Other) Adds budget authority for existing positions transferred to the department from the Office of Information Technology in FY2024.

Add a Department IT Manager +192.4 +1 PFT 1004 General Fund (UGF) Funds a department IT Manager to oversee the Help Desk and coordinate department IT projects and services.

Total \$691.6 thousand.

Mr. DeMoulin continued to slide 15 titled "Department Overview: Criminal Investigations Unit:"

Mission: To enforce criminal laws and regulations through investigation, public education, and provide inter-law enforcement agency support through data exchange and joint operations.

FY2025 Governor's Amended Budget:

\$1,366.3: \$868.1 UGF, \$498.2 Other (8 PFT)

Fully Staffed Investigative Unit

+39.0 1004 General Fund (UGF)

The Criminal Investigations Unit consists of seven Investigators and one support staff. The Unit has been fortunate to be fully-staffed the past year and

anticipates this to continue for FY 2025. Personal services authority is needed to fully fund the unit and avoid a shortfall.

Co-Chair Foster shared that he received clarification regarding slide 13 and the two new positions. He was informed that the special assistant position was included in the original budget but was listed as being under the governor's amended budget, due February 15, 2024, on the slide. He asked for clarity regarding when the items were included in the budget. Mr. DeMoulin responded that the presentation was a combination of what was included in the amended and original budget reflecting the most recent version of the budget request. Co-Chair Foster understood that some items in the overview were new, and some were not. Mr. DeMoulin answered in the affirmative.

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Mr. DeMoulin turned the presentation over to the Alaska Mental Health Trust Authority (AMHTA).

STEVE WILLIAMS, CEO, ALASKA MENTAL HEALTH TRUST, ANCHORAGE (via teleconference), introduced himself and noted that the trust budget was already presented to the committee in detail on January 31, 2024. He advanced to slide 16 titled "Department Overview: Alaska Mental Health Trust Authority:"

Mission: To administer the Alaska Mental Health Trust as a perpetual trust and to ensure Alaska has a comprehensive and integrated mental health program to support the needs of Trust beneficiaries.

Accomplishments: Granted more than \$22.2M including:

- Boosting Beneficiary Housing and Homelessness Services Across Alaska
- Advancing Effort to Transform Alaska's Behavioral Health Crisis Response
- Helping Increase Access to Supportive Early Childhood and Youth Mental Health Services.

Total \$167 thousand.

Mr. Williams highlighted slide 17:

FY2025 Governor's Amended Budget:
\$4,929.6: \$4,929.6 Other (17 PFT)

Reverse FY 2024 Mental Health Trust Operating Budget -
4,652.2 1094 Mental Health Trust Admin (Other)
Technical reversal

FY2025 Mental Health Trust Authority Operating Budget
Recommendation
+4,819.9 1094 Mental Health Trust Admin (Other)

Alaska Mental Health Trust Authority recommendation

Total \$167.7 thousand

Mr. Williams continued on slide 18 and slide 19 titled
"Department Overview: Long Term Care Ombudsman Office:"

Mission: To provide resident-centered advocacy
designated to protect the health, safety, welfare and
rights of Alaska seniors, age 60 and over living in
long-term care facilities. Figures in Thousands (\$0.0)

Per AS 44.25.200(c)(6), the Alaska Mental Health Trust
Authority shall administer the office of the long term
care ombudsman.

Accomplishments: • 827 Facility Visits • 355
Complaints Investigated • 80% of Complaints Resolved
to the Satisfaction of the Resident

Challenges: • LTCO staffing hasn't increased for 10
years while the senior population and quantity of
assisted living and nursing homes continues to grow,
limiting their capacity for investigating complaints

Mr. Williams examined slide 19:

FY2025 Governor's Amended Budget:
\$982.1: \$553.3 UGF, \$428.8 Other (6 PFT)

Long Term Care Ombudsman
+133.5 1037 General Fund Mental Health (UGF)
Maintains the office's ability to investigate
complaints and make site visits as Alaska's senior
population continues to grow. Item not included in the
Governor's Amended Budget.

Total \$133.5 thousand

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Co-Chair Edgmon cited the organizational chart on slide 4. He wondered how the budget decisions were made regarding the quasi-independent organizations and the flow of the process through the commissioner's office to OMB, etc. Mr. DeMoulin responded that the corporations ran fairly independently. He elaborated that he worked as a budget coordinator and assisted on the technical items and submitting the budget as well as the formal change record detail request. Each quasi agency had its own budget process. He asked the commissioner to describe his part in the process.

Commissioner Crum interjected that he agreed with Mr. DeMoulin's explanation as to how the process operated. He merely passed on their requests to OMB and the governor and did not deliberate the budgets.

Co-Chair Edgmon shared that he asked the question because some capital budget items in the AMHTA were denied related to homelessness and housing. He assumed that it was for a legitimate purpose, but he wondered how it got decided since the recommendations originated from the AMHTA board. He appreciated the answer.

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Mr. DeMoulin turned the presentation over to the Alaska Housing Finance Corporation (AHFC).

[2:25:33 PM](#)

BRYAN BUTCHER, CEO, ALASKA HOUSING FINANCE CORPORATION, ANCHORAGE (via teleconference), introduced himself and proceeded to slide 20 titled "Department Overview: Alaska Housing Finance Corporation (AHFC):

Mission: To provide Alaskans access to safe, quality, affordable housing.

FY2025 Governor's Amended Budget \$109,561.3: \$200.0 UGF, \$40,068.5 Other, \$69,292.8 Fed (314 PFT, 22 PPT, 14 NP)

Mental Health Trust Recommendation: Department of Corrections Discharge Incentive Grants (FY16-FY25) +400.0 +200.0 General Fund Mental Health (UGF) +200.0 Mental Health Trust Admin Authorized Receipts (Other)

Targets individuals exiting Department of Corrections to provide immediate housing and support services to successfully transition to community care and avoid repeat incarceration.

Total \$400.0 thousand

Mr. Butcher delineated that the request expanded the Discharge Incentive Grant program, which had been successful with recidivism rates dropping to 33 percent for participants from roughly 66 percent overall.

Representative Coulombe inquired how the money was spent. Mr. Butcher replied that the program had been primarily run through vouchers and the focus was on housing. He believed that housing helped stabilize the participants therefore, reducing the likelihood of reoffending. Representative Coulombe surmised that the voucher was used to pay rent, or she wondered whether the program helped people get into a new home or apartment.

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Mr. Butcher responded that it was a temporary program where the AHFC worked with a few nonprofits and the housing was only for a finite period of time.

Representative Hannan was confused regarding if the \$400 thousand was spent over a ten year period and the request was a renewal. Mr. Butcher replied that the amount was \$100 thousand each year including previous years and the request was for an expansion of the program into smaller communities in the state. Representative Hannan asked how many people the request would help and for how long. Mr. Butcher responded that it was not yet known. He offered to provide the information.

Mr. DeMoulin reviewed slide 21 titled "Department Overview: the Alaska Permanent Fund Corporation (APFC):"

Mission: To manage and invest the assets of the Permanent Fund and other funds designated by law.

FY2025 Governor's Amended Budget \$28,344.8: \$28,344.8
Other (67 PFT, 2 NP)

Six Percent Merit Increase +920.0 1105 Perm Fund Corp Receipts (Other) Annual merit to address recruitment and retention challenges. Incentive Compensation +915.0 1105 Perm Fund Corp Receipts (Other) Fully funds incentive compensation for investment and operations staff. Equipment to Support Datacenter Relocation +150.0 1105 Perm Fund Corp Receipts (Other) Disaster recovery and business continuity needs for the Corp's primary data center located in Anchorage. Increase Volume of Travel to Forward Investment Management Objectives +100.0 1105 Perm Fund Corp Receipts (Other) Supports increases due to rising travel costs across the nation and anticipated travel to and from the Anchorage satellite office to ensure ongoing team cohesion and high performance. Facilities Rent, Training and Advisory Support +56.1 1105 Perm Fund Corp Receipts (Other) Adjustment to the services line including funding for rent and technology related to the Anchorage office, additional consulting costs driven by contractual increases and Board-driven projects, and additional training for the Board of Trustees

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Representative Galvin wondered why the merit increase was 6 percent and why it was necessary. Mr. DeMoulin deferred to the APFC for the answer.

DEVEN MITCHELL, CEO, ALASKA PERMANENT FUND CORPORATION, JUNEAU (via teleconference), replied that the 6 percent merit increase, was a board driven target. He explained that there was a different calculus for the APFC, and the corporation could not be compared to other agencies, nor could they compare to the salaries that existed in the private financial sector. However, they strove to be as competitive as possible for recruitment and retention of employees that could provide the highest investment performance. Representative Galvin asked what the current vacancy rate for APFC was. Mr. Mitchell responded that the vacancy rate "was not bad" and was around 12 percent. He added that the primary driver was retention. The corporation wanted to remain comparable to other governmental entities like the California Pension Systems

or sovereign wealth type funds. Representative Galvin asked if new employees received defined benefits and whether that was a factor in retention. Mr. Mitchell responded that the class of investment employee was not as impacted regarding defined benefits as operational staff that received more modest salaries. The corporation's approach was to try to retain quality employees that ensured a successful program.

Representative Hannan directed attention to the bottom two items on slide 21 regarding the satellite office. She noted the \$100,000 increases in travel and \$50,000 for rent and technology. She asked if the request was the entirety of the cost for operating the office, ignoring salary and benefits, and whether the request represented permission for the office.

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Mr. Mitchell responded that the numbers were not entirely from the impact of the opening of the Anchorage office and included some additional lease costs of approximately \$35,000 for current rental space. He added that some of the travel cost related to the Anchorage office and was roughly a 50/50 split between Anchorage travel and inflationary increases in travel costs overall. He indicated that there were financial impacts related to the Anchorage office, but the request also included other costs. Representative Hannan requested that the costs be parceled out for a clear delineation of costs for the satellite office to determine its return on investment considering it still needed legislative approval. She remarked that in the following fiscal year the state would like to see whether the Anchorage office was worth continuing.

Co-Chair Johnson mentioned that she would gather the information for the DOR Finance Subcommittee and make it available to Representative Hannan and the rest of the committee.

[2:41:00 PM](#)

Co-Chair Edgmon deduced that since the Anchorage office was opened, the request was supplemental to the core operations of the office. Mr. Mitchell replied that the corporation used a one-time funding source for the cost of the rent and the request was for office rent. The increments included on the slide reflected the expense of opening the office. Co-Chair Edgmon noted that the office was up and running. Mr.

Mitchell answered in the affirmative. Co-Chair Edgmon felt that he did not have a clear picture of how the Anchorage office was transacted and he would wait until he received the subcommittee findings.

Co-Chair Johnson recalled that there was a prior discussion of how the transaction occurred with the president of APFC but was not fully discussed on the subcommittee level.

[2:44:11 PM](#)

Mr. DeMoulin continued on slide 23 titled "Department Overview: APFC Investment Management Fees:"

Mission: To manage and invest the assets of the Permanent Fund and other funds designated by law.

FY2025 Governor's Amended Budget
\$198,163.6: \$198,163.6 Other

Investment Management Fees and Services +2,800.0 1105
Perm Fund Corp Receipts (Other) Funding needed to support increasing gatekeeper fees, based on anticipated commitments within alternative markets. In addition, \$200.0 supports reconciliation services and increased tax advisory services in certain international markets.

Total \$2.8 million

Mr. DeMoulin advanced to slide 24 titled "Position History: Statewide Trend." He offered that the slide was originally presented by OMB and was included to show DOR's operational challenges. The following slides demonstrated its vacancy impacts and mitigation measures. The graph depicted vacancy as an operational challenge at 17.9 percent. He moved to slide 25 titled "Position History: Filled Count," which showed the historical trend of positions filled from 2018. He reported that filled positions were climbing but were well below average of being optimally and fully staffed. He highlighted slide 26 titled "Position History: Top 5 Vacant Job Classes." He listed the classes as Accounting and Tax Technicians, Child Support Specialist, Office Assistant, and PFD Technician. He reminded the committee that the Child Support Specialist was the only job class where DOR made a positive impact, and it took 2.5 years

from inception to implementation. Mr. DeMoulin continued to slide 27 titled "Position History: Hires and Resignations." The graph depicted more hires since 2023 than resignations. However, there was a significant amount of resignations in the Tax Division and CSED.

[2:46:54 PM](#)

Representative Josephson asked what the vacancy rate in the audit and tax areas were and whether the oil industry tax returns were being reviewed in a timely manner. Mr. DeMoulin deferred to the Tax Division for an answer.

BRANDON SPANOS, ACTING DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE, ANCHORAGE (via teleconference), replied that the Tax Division had "many auditors" and administered over 20 tax programs. He acknowledged prior year's issues meeting the 6 year statute of limitations for the oil and gas tax program. He delineated that there was some turnover due to hire pay in the industry. However, in general, there was "a lot" of longevity among auditors in the defined benefit program. He disclosed that the division never missed an audit deadline, and the frustration was that interest was accruing during the 6 year cycle on assessments. The oil and gas tax program was currently on a three year tax cycle along with all of the other tax programs and was almost caught up with the cycle. Representative Josephson asked whether classification studies were performed for the tax division.

[2:51:23 PM](#)

Mr. Spanos responded that the tax division was not included in the class studies. Representative Josephson asked if it will be included in the future. Mr. Spanos deferred the answer.

Mr. DeMoulin answered that the department was not in a queue for another classification study but was waiting for the completion of the salary study to help address the hiring issues.

[2:53:07 PM](#)

Mr. DeMoulin continued on slide 28 titled "Position History: Departing Employees." He summarized that the graphs showed the majority of resignees were leaving the

state and finding employment elsewhere. He discussed slide 29 titled "Position History: Filled and Vacant by Division." He pointed to the correlations between the vacancies and filled positions and the resulting operational impacts.

Mr. DeMoulin moved to slide 30 titled "Position History: What We Know:

Filled positions are rebounding but are below the 6-year average

The distribution among programs is not equal. CSED is down the most, followed by the PFD and Tax divisions.

The vacancy distribution by pay range is predominately at the lower end, ranges 12 and 14.

Representative Galvin understood that ranges 12 to 14 were competing with fast food places and grocery stores. She deduced that it was the reason for the range increases in the CSED. Mr. DeMoulin answered in the affirmative.

[2:56:13 PM](#)

Co-Chair Johnson thought that people in the 12 to 14 ranges were more transient. Mr. DeMoulin replied in the affirmative and noted that typically, the lower range positions were entry level and employees moved on to more professional jobs, which was expected. The issue was the prolonged vacancies to fill the positions.

Mr. DeMoulin advanced to slide 31 titled "Recruitment and Retention: What We've Accomplished:"

Implemented a Class Study for the Child Support Specialist positions effective December 2023. Results in a 2-range increase to 107 positions.

- Reclassified Child Support's Office Assistants to Administrative Assistants. Results in a 2-range increase to 28 positions.
- Using in-state telework as a recruitment and retention tool in difficult to fill areas across all divisions

- The department has dedicated 1 full-time HR position to recruitment activities; exceeding standard processing time since returning from DOPLR.
- Attending various job and career fairs to market our programs and employment opportunities
- Putting data into hiring managers and division leaders' hands to drive future improvements; automated filled/vacant reports; employee engagement and satisfaction survey reports.

[2:58:58 PM](#)

Representative Coulombe cited slide 24 and referenced a data point regarding unspent personal services totaling \$18 million. She asked for clarification. Mr. DeMoulin responded that it was data from the OMB slide. He spoke to DOR's personal services data. He explained that unspent revenue lapsed back into the general fund (GF). Representative Coulombe cited a reference in DOR's budget (not contained on any slide) to the \$150 thousand appropriation relocating APFC's disaster recovery data center from Fairbanks to Anchorage. She asked for more information. Mr. DeMoulin responded that it was driven by data connectivity issues. He deferred to Mr. Mitchell.

Mr. Mitchell replied that the move was predicated on poor connectivity in the disaster redundancy center. The Anchorage site will be implemented in the next 6 months.

[3:02:47 PM](#)

Co-Chair Johnson

HB 268 was HEARD and HELD in committee for further consideration.

HB 270 was HEARD and HELD in committee for further consideration.

Co-Chair Johnson reviewed the agenda for the following day's meeting.

#

ADJOURNMENT

3:03:27 PM

The meeting was adjourned at 3:03 p.m.