

01/31/14
BUDGET
OVERVIEW
FY 15:
DEPARTMENT
OF REVENUE

<TARGET><BILL></BILL><SUBJECT>01-31-14 BUDGET OVERVIEW
FY 15 DEPARTMENT OF
REVENUE</SUBJECT><COMM>HFIN28</COMM></TARGET>



State of Alaska Department of Revenue Budget Overview

A Presentation to the House Finance Committee
January 31, 2014

Angela M. Rodell
Commissioner
Alaska Department of Revenue



Alaska Department of Revenue

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

Major Programs

Tax Division

*Enforces the tax laws of the state;
collects and accounts for tax revenues*

Treasury Division

Manages and invests state funds

Permanent Fund Dividend Division

*Administers the PFD program and
distributes the annual dividend payment to eligible Alaskans*

Child Support Services Division

Collects and distributes child support to custodial parents

Results in 2013

Department of Revenue as a Whole

- The Department's website was updated to provide easy links to current fund balances and fund performance.
- All Department of Revenue regulations were reviewed and updated as necessary.

Treasury Division

- Alaska received its third AAA bond rating from Fitch in FY 13 making it one of the few states with top ratings from all three rating agencies.
 - The FY 13 returns for 37 out of 39 funds managed by Treasury exceeded the benchmark returns.
 - PERS and TRS funds returned 12.50% and 12.59%.
-

Results in 2013

Permanent Fund Dividend Division (PFD)

- The cost of reviewing a PFD application and paying the dividend declined each year from 2011 to 2013.
- Of the 139,254 eligibility cases that were created, 97% of them were contacted by the time dividend amount was announced in September. That is 7% better than the 90% contact rate in 2012, and 12% above our performance measure goal of 85%.
- The division had the lowest number of unreviewed cases ever recorded by the division at the point of the dividend announcement. Only 3,937 cases remained under reviewed at that point in time. Down from 16,410 in 2012. The net effect was that of the 670,000 applicants in 2013, only one half of one percent has not been reached regarding their application.
- The division also overhauled our technician training program in 2013, hiring a new trainer and lead, who subsequently shaved an entire month off of our previously 3-month long training program. This means technicians are working cases and fielding questions from the public faster than ever.

Results in 2013

Child Support Services Division

- The federally required self assessment review showed that CSSD exceeded all federal requirements for the child support program.

Criterion	Cases That Required Action	Cases Compliant With Time Frames	Efficiency Rate: 2012	Federal Minimum Standard
Case Closure	10	10	100%	90%
Paternity/Establishment	53	49	92%	75%
Enforcement	450	425	94%	75%
Disbursement	359	347	97%	75%
Medical Support Enforcement	262	212	81%	75%

- CSSD increased its teenage outreach program, making 70 presentations in 48 schools throughout the state.

Results in 2013

Tax Division

- Began implementation of our Tax Revenue Management System (TRMS), for which the legislature appropriated \$34.7 million in the 2011 session.
 - Phase 1 of the project is in its final stages, and will be rolled out for all corporate income tax filers, and many excise tax filers;
 - Phase 2 will be starting within the next few weeks (includes oil and gas production tax, property tax, and economic research).

- Successfully drafted and finalized a large regulations package within 6-7 months of the passage of SB 21 (MAP), so they were in effect when most of the bill's provisions went into effect (January 1, 2014). Interest rate calculation regulations have been filed with the Lt. Gov. as of last week.

- 98.5% of known taxpayers filed tax returns and made their payments timely.

Authorities and Corporations

➤ Alaska Housing Finance Corporation

To provide Alaskans access to safe, quality and affordable housing.

➤ Alaska Permanent Fund Corporation

To maximize the value of the Permanent Fund within return objectives.

➤ Alaska Mental Health Trust Authority

To administer the Alaska Mental Health Trust as a perpetual trust and to ensure a comprehensive and integrated mental health program to improve the lives of beneficiaries.

➤ Alaska Municipal Bond Bank Authority

To provide municipalities with financing options for capital projects.

Look Back at Department Activities

Revenues collected by the Tax Division increased 58%:

- FY05 \$1,951,247,500
- FY13 \$3,076,100,000
- Multiple new Tax programs created, three major changes to Oil and Gas Production Tax

Funds under management by the Treasury Division increased 147%:

- 12/31/2004 \$20,448,418,000
- 12/31/2013 \$50,630,907,000
- New tier added to retirement system, oversight and investment of numerous new funds

Number of Permanent Fund Dividends paid to Alaskans increased 7%:

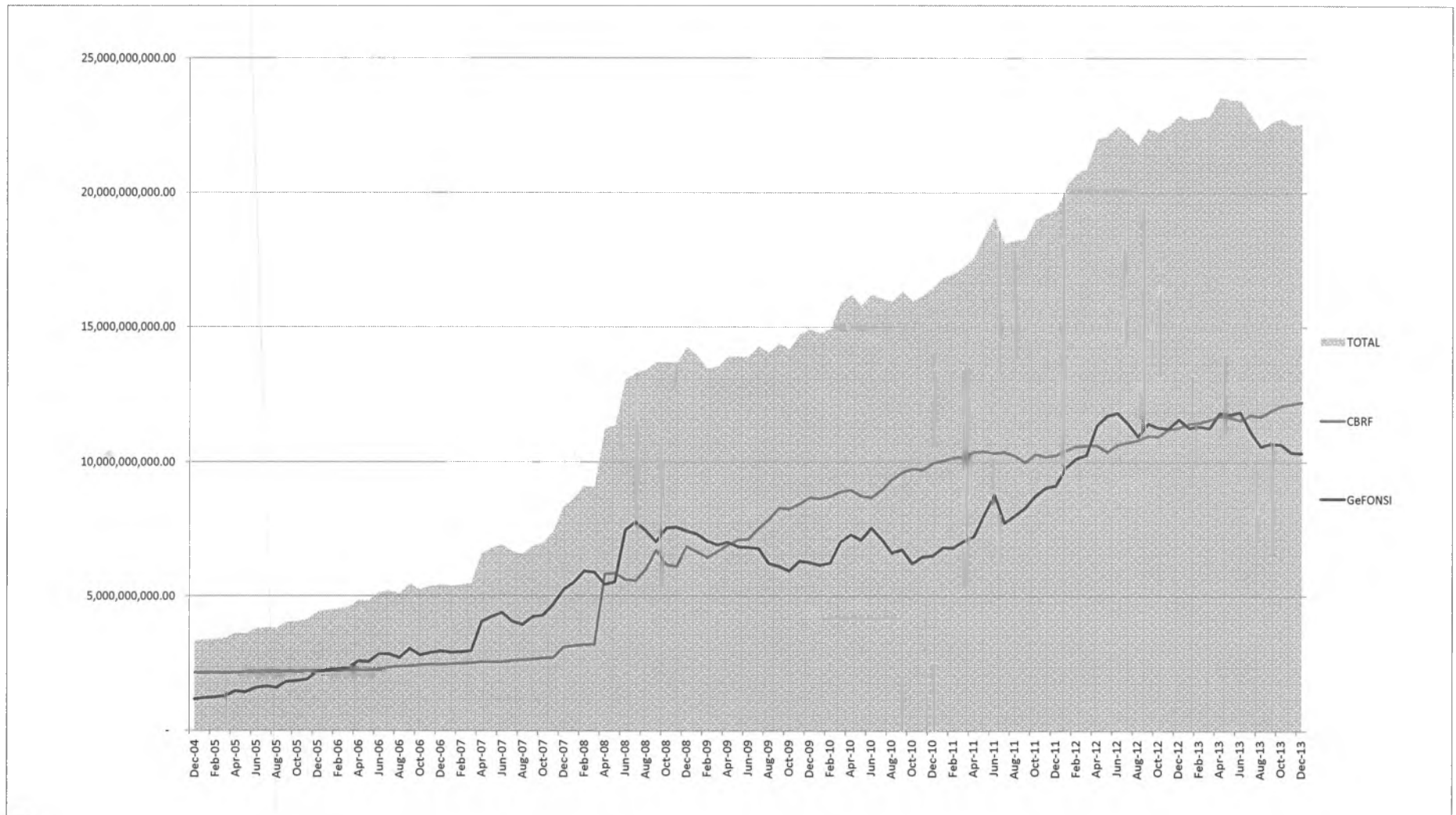
- FY05 599,243
- FY14 640,500 (total estimated for 2013 dividend)
- Pick, Click Give

Number of child support cases increased 4% while the amount of child support distributed to custodial parents increased 15%:

- FFY05 45,259 cases \$98.6 million disbursed
 - FFY13 47,044 cases \$113.6 million disbursed
-

Growth in State Funds 2005-2014

CBRF and GeFonsi



**Department of Revenue Share of Total Agency Operations
(GF Only)
(\$ Thousands)**

The department's GF budget grew by \$10.3 million between FY06 and FY15 Governor's Request -- an average annual growth rate of 3.2%.

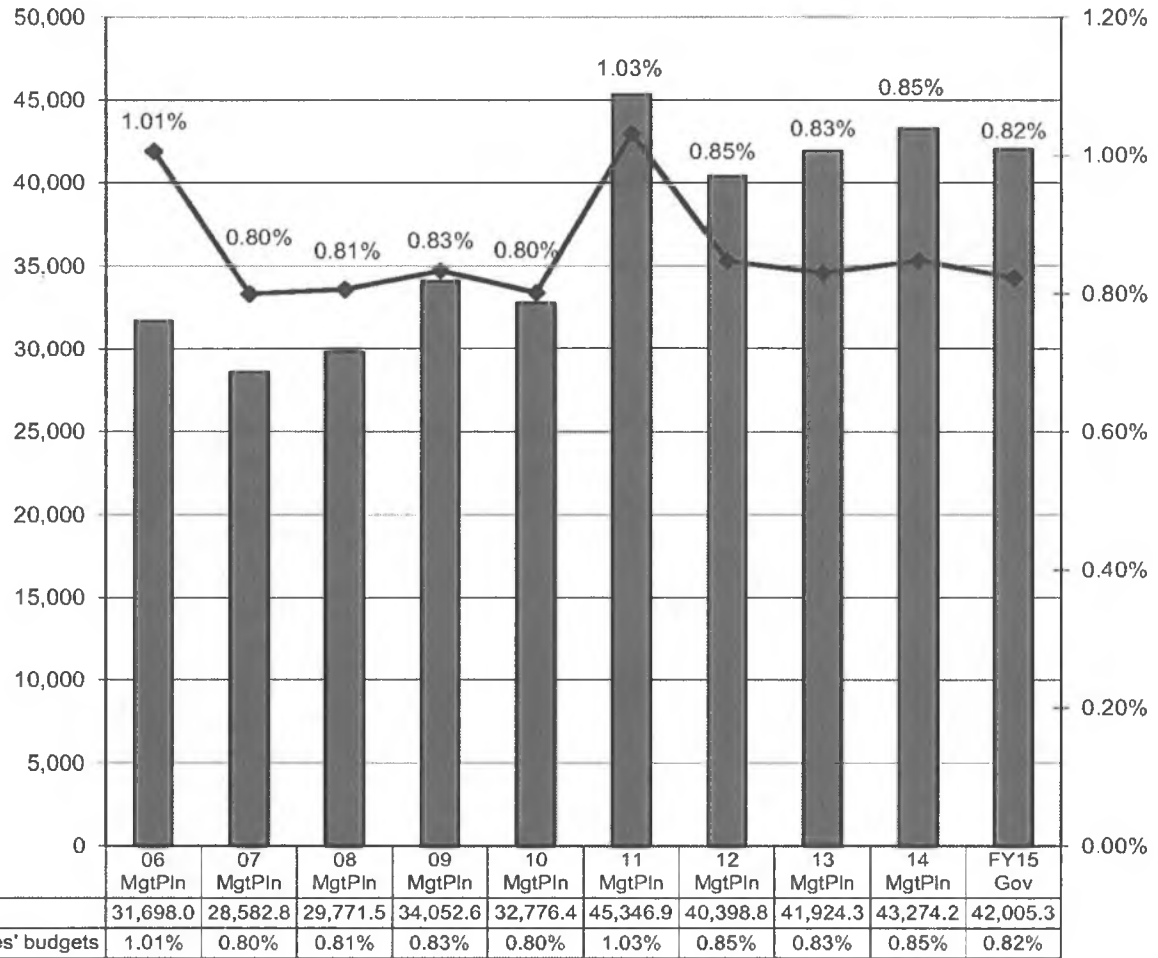
The department's total FY15 Governor's Request GF budget equals \$127 per resident worker.*

From FY10 to FY11, the department's GF budget increased by \$12.6 million. This increase can be attributed to several large one-time increments:

Treasury Division -- \$6.9 million (\$2.1 million for investment management of the Constitutional Budget Reserve Fund & \$4.8 million associated with the sale of General Obligation Bond expenses for library, education and educational research facilities)

Natural Gas Commercialization -- \$1.55 million (Fiscal Systems Analysis to support negotiations of gasline fiscal terms)

Alaska Municipal Bond Bank Authority -- \$2.45 million (Bond Bank loan to the City of Galena)



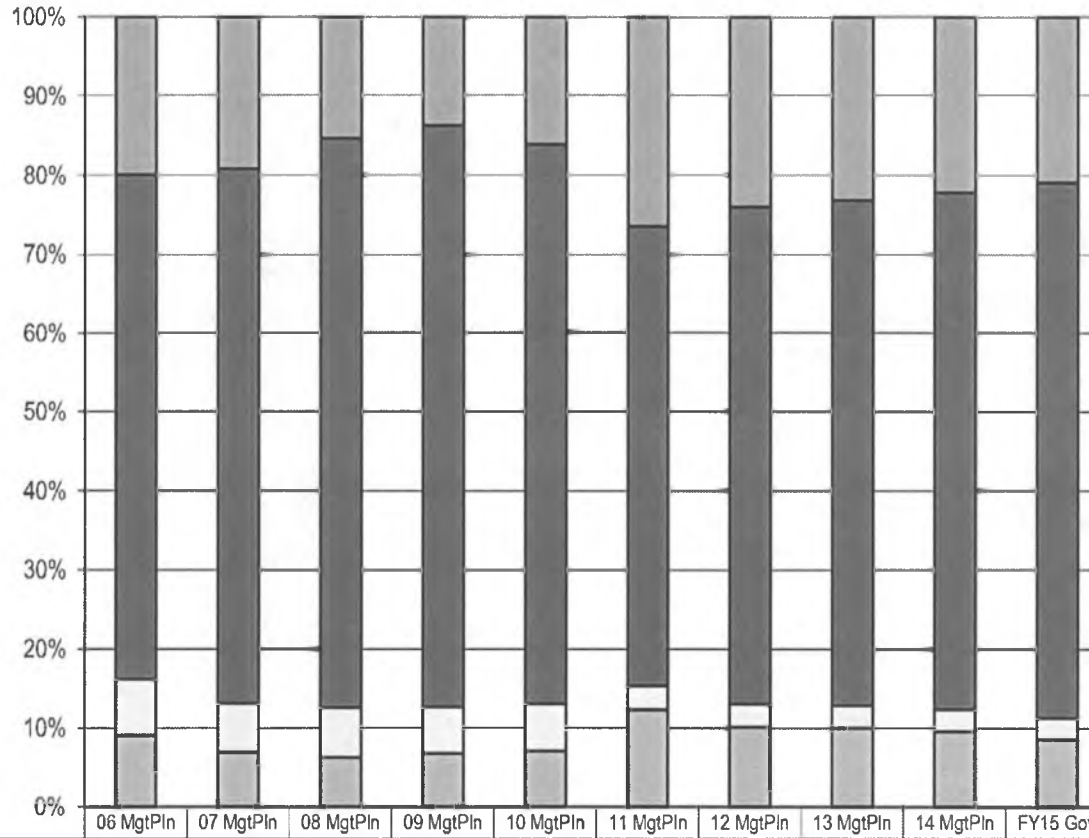
█ Total Agency Budget (GF Only)	31,698.0	28,582.8	29,771.5	34,052.6	32,776.4	45,346.9	40,398.8	41,924.3	43,274.2	42,005.3
◆ % of Agency Budget to Total Agencies' budgets	1.01%	0.80%	0.81%	0.83%	0.80%	1.03%	0.85%	0.83%	0.85%	0.82%

* According to the Department of Labor, there were 331,081 resident workers in Alaska in 2011.

**Department of Revenue
Percent of the Total Department's Budget by Fund Group**

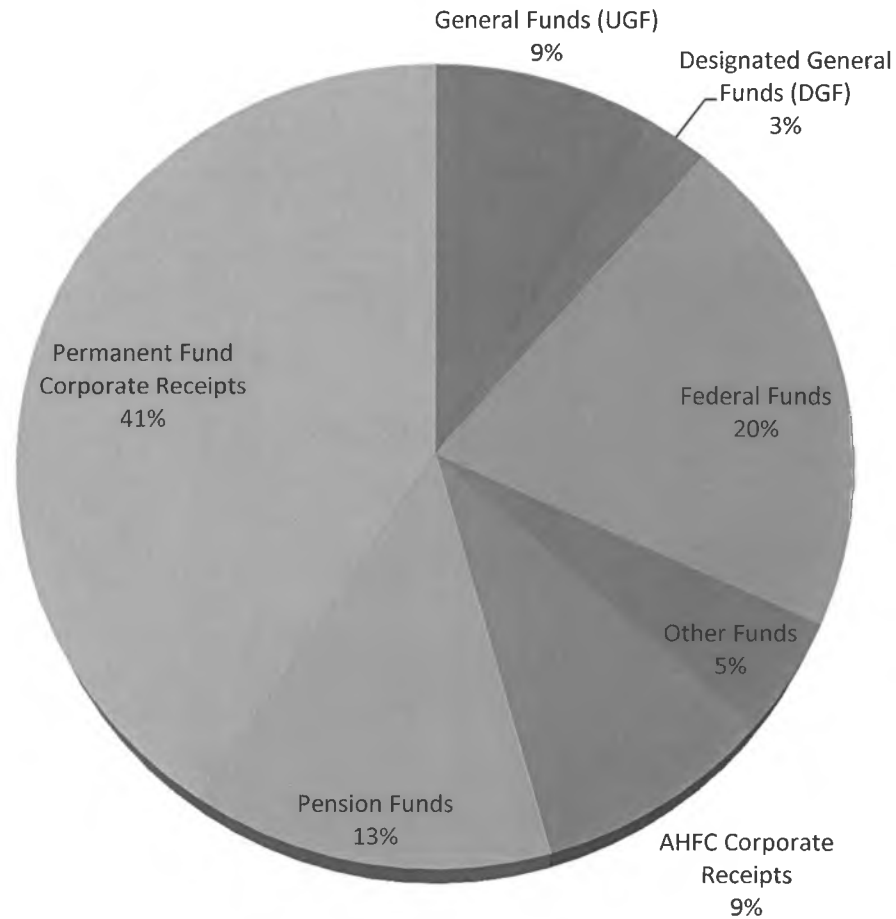
(All Funds)
(\$ Thousands)

The percentage of general funds (UGF & DGF) in the department's budget was 16% in FY06 and is 11% in the FY15 Governor's Request.

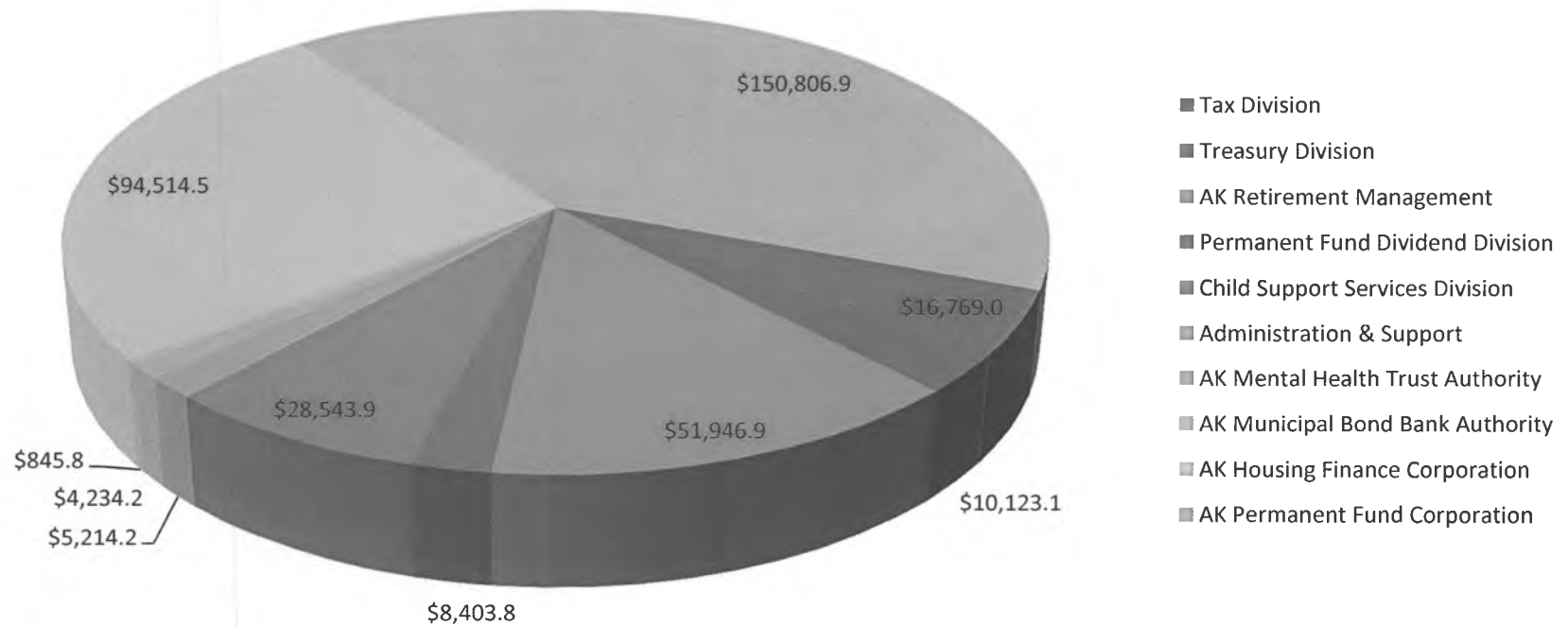


	06 MgtPln	07 MgtPln	08 MgtPln	09 MgtPln	10 MgtPln	11 MgtPln	12 MgtPln	13 MgtPln	14 MgtPln	FY15 Gov
Federal Receipts (Fed)	38,887.5	41,912.8	36,479.4	37,214.4	40,349.1	77,748.5	73,935.2	74,884.2	77,542.3	77,842.6
Other State Funds (Other)	124,953.5	147,661.2	170,700.1	198,386.2	178,017.5	171,708.7	193,745.5	207,584.2	228,498.4	252,141.3
Designated General (DGF)	13,910.3	13,460.5	14,923.1	15,721.6	14,957.6	9,074.7	9,356.5	9,615.1	9,838.1	9,740.3
Unrestricted General (UGF)	17,787.7	15,122.3	14,848.4	18,331.0	17,818.8	36,272.2	31,042.3	32,309.2	33,436.1	32,265.0

Department of Revenue FY 2015 Governor's Budget by Fund Source



Department of Revenue FY 2015 Governor's Budget by Program



Key FY 15 Budget Changes

- Non-Personal Services reductions (441.5) UGF
 - Reductions to external expenditures
- Position Deletions (255.9) UGF
 - 4 PFT, 1 PPT, 1 temporary (77.0) DGF
- Health Ins. and Working Reserve Reductions (70.7) UGF
 - (19.2) DGF
 - (102.0) Other
 - (65.1) Fed
- APFC Custody And Management Fees 23,800.0 APFC Receipts
 - Increases related to asset growth

FY 15 Capital

- PFD Division Computer Replacement 130.0 PFD Fund
- Child Support Computer Replacement 158.5 Fed/81.6 GF
- Alaska Housing Finance Corp Multiple Projects
76,800.0 GF/850.0 Other/12,200.0 Fed
 - \$29 million Weatherization
 - \$17.5 million Home Energy Rebate
 - \$8 million Homeless Assistance Program
 - \$7 million Supplemental Housing Development Program
 - \$6 million Teacher, Health, Public Safety and VPSO Housing Loans
 - \$4.5 million Senior Citizen Housing Development

Department of Revenue Ten Year Expenditure Projection

- The mission of the Department of Revenue is to collect, distribute and invest funds for public purposes. The department achieves its mission through the efforts of four core agencies, two corporate agencies, and four boards and authorities.
- The following document provides an estimate of the department's budget changes over the next ten years. Projecting budgets ten years into the future for the various programs and funding sources of the Department of Revenue is a challenge. Changes to the department's programs are not anticipated but are sometimes affected by legislative action. As a result, the assumptions and numbers that make up the plan will continue to change as new information becomes available.

Baseline Scenario Assumptions for DOR

- The department's operations costs were increased by using a 2.5% annual inflation factor. The inflation calculation does not include personal services or investment management fees.
 - External custody and investment management fees were calculated using anticipated rates applied to estimated future market values.
-

Baseline Scenario Assumptions for AHFC

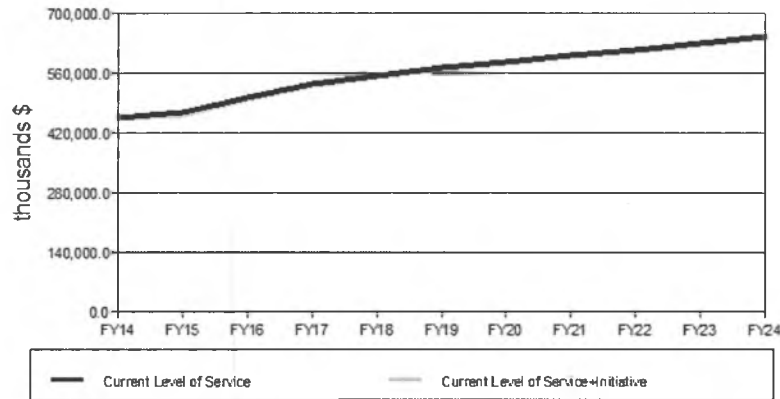
- Alaska Housing Finance Corporation's (AHFC) operations costs were increased by using a 2.5% annual inflation factor. The inflation calculation does not include personal services or investment management fees.
- The Capital budget assumes that the Corporation's earnings will resume to pre-recession levels.
- The Weatherization program assumes the State will contribute \$100 million annually to maintain the current program.

Baseline Scenario Assumptions for APFC

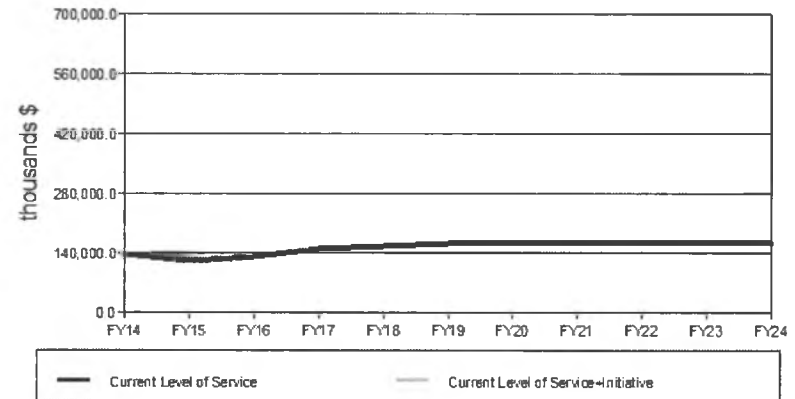
- The Alaska Permanent Fund (APF) value was grown using median market expectations.
- External investment manager fees were calculated using anticipated rates applied to the projected value of the assets under management.
- Alaska Permanent Fund Corporation's (APFC) operations costs were grown by 2.5% (inflation). The inflation calculation does not include personal services or investment management fees.

10 Year Projection Graphs

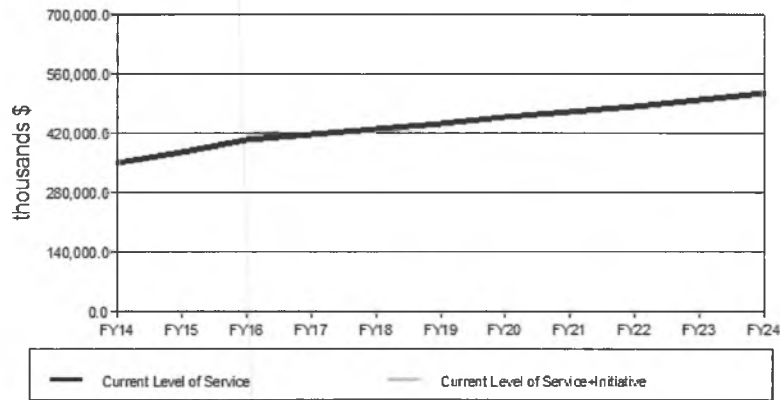
All Funds



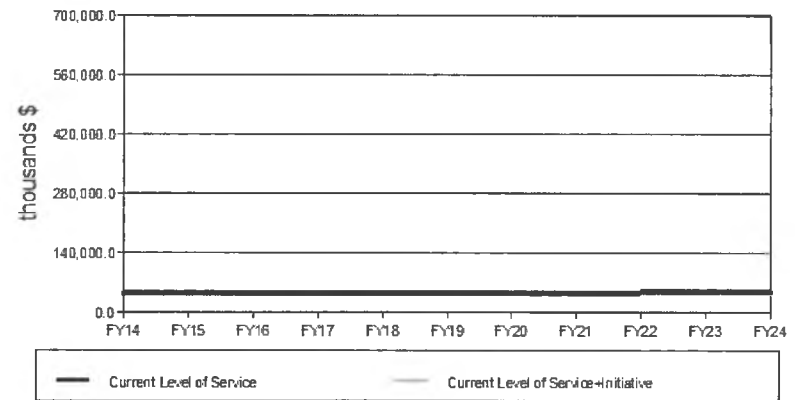
General Funds



Operating All Funds

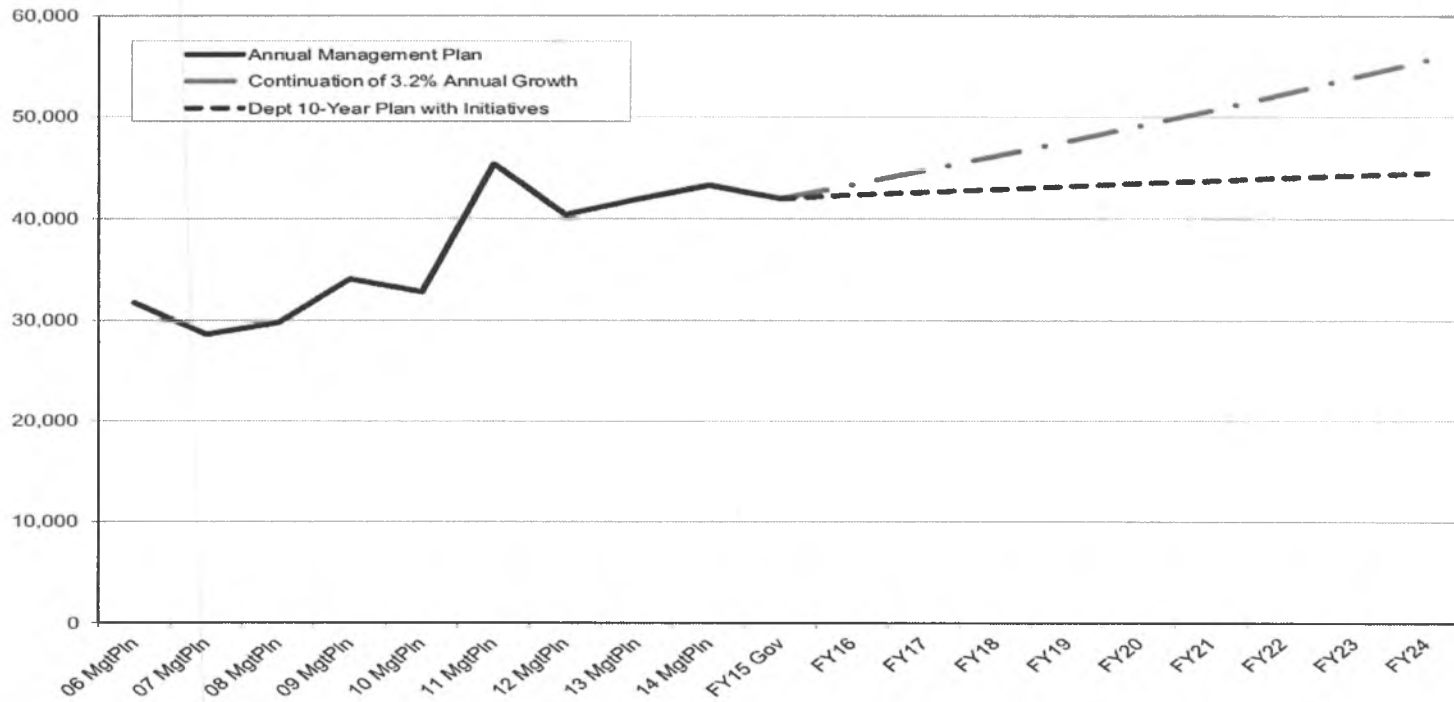


Operating General Funds



10 Year Projection Graphs

Department of Revenue
 Continued Budget Growth Compared to 10-Year Plan
 (GF Only)
 (\$ Thousands)



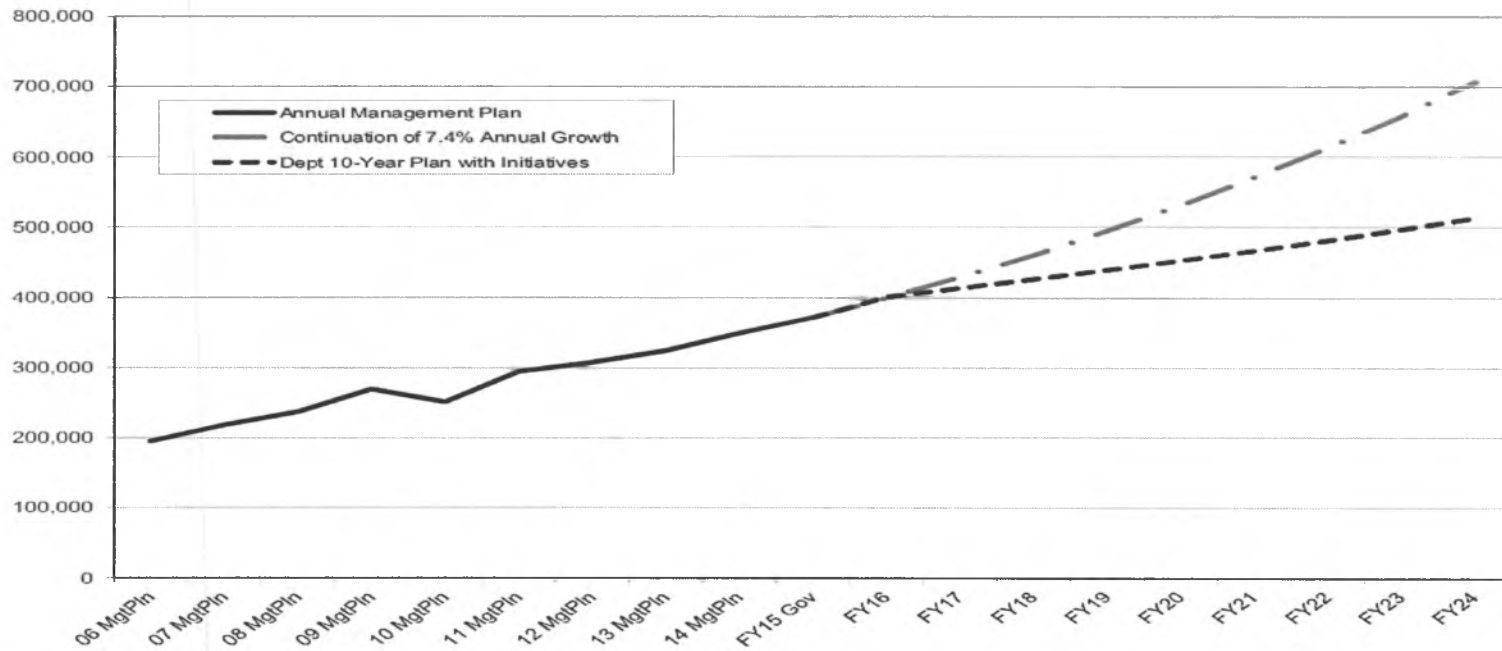
1/23/2014

Legislative Finance Division

10 of 11

10 Year Projection Graphs

Department of Revenue
Continued Budget Growth Compared to 10-Year Plan
(All Funds)
(\$ Thousands)



1/23/2014

Legislative Finance Division

11 of 11

Wrap-Up

- The Tax Division is actively engaged in improving its information system to insure efficient tax administration, to more effectively serve taxpayers and provide timely access to information necessary for assisting with tax policy decisions contemplated by the legislature.
- The Department of Revenue is the state's largest investment manager. We pride ourselves in prudent investment practices for a variety of programs and needs while achieving and maintaining the highest credit rating and thus the lowest cost of borrowing.
- Customer service sections in the PFD and Child Support Services Divisions have continuously improved their business practices in order to provide increased service levels without increasing staff.
- Our corporations receive national recognition for their exemplary program management and fiscal solvency.

THANK YOU

Please find our contact information below:

Angela M. Rodell
Commissioner
Department of Revenue
angela.rodell@alaska.gov
(907) 465-2300

Jerry Burnett
Director, Administrative Services Division
Department of Revenue
jerry.burnett@alaska.gov
(907) 465-2312

dor.alaska.gov

