

State of Alaska FY2005 Governor's Operating Budget

Department of Revenue

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Department of Revenue

Mission

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

The department provides administrative support for the following independent boards and corporations:

- Alaska State Pension Investment Board
- Alaska Mental Health Trust Authority
- Alaska Municipal Bond Bank Authority
- Alaska Natural Gas Development Authority
- Alaska Housing Finance Corporation
- Alaska Permanent Fund Corporation

Core Services

- Collect taxes
- Manage Funds
- Forecast General Fund revenues
- Regulate charitable gaming
- Collect and distribute child support
- Administer the Permanent Fund Dividend Program
- Provide Alaskans with access to affordable housing
- Provide oversight of Trust assets and beneficiary related programs
- Plan for the development of natural gas

End Results	Strategies to Achieve Results
<p>(1) Optimize tax collections.</p> <p><u>Target:</u> Percentage of taxes collected compared to taxes due between 92% and 98%.</p> <p><u>Measure:</u> Percentage of taxes collected compared to the taxes due.</p> <p>(2) Improve the collection and disbursement of child support due to the children served by Child Support Enforcement Division (CSED).</p> <p><u>Target:</u> Increase collections by 3%.</p> <p><u>Measure:</u> Percent change in total collections for a fiscal year.</p> <p>(3) Improve the risk adjusted return of funds under the stewardship of the Treasury Division by continually improving investment returns.</p> <p><u>Target:</u> For the funds under the fiduciary responsibility of the Commissioner of Revenue, exceed the applicable one-year target returns.</p> <p><u>Measure:</u> Actual returns compared with target returns reported by consultant or the custodian bank.</p> <p>(4) All eligible Alaskans, whose applications are not</p>	<p>(1) Increase audit coverage (audit activities improve compliance and revenue).</p> <p><u>Target:</u> Open 20 new audit cases (taxpayers that have not been audited by the Tax Division in the prior five years).</p> <p><u>Measure:</u> Number of new audits opened.</p> <p>(2) Increase voluntary compliance from identifying non-filers.</p> <p><u>Target:</u> Find 30 non-filers through compliance work.</p> <p><u>Measure:</u> Number of non-filers brought into compliance.</p> <p>(3) Improve the environment necessary for increased collections.</p> <p><u>Target:</u> Increase paternity establishments established to 90%.</p> <p><u>Measure:</u> Percentage of paternity establishments established.</p> <p><u>Target:</u> Increase cases with orders to 84%.</p> <p><u>Measure:</u> Percentage of cases with orders.</p> <p>(4) Improve the efficiency of distributing child support.</p>

End Results	Strategies to Achieve Results
<p>on appeal, receive their Permanent Fund Dividend (PFD) in October.</p> <p><u>Target:</u> 100% of eligible applicants not in appeal are paid in October</p> <p><u>Measure:</u> Percentage of eligible applicants not in appeal who are paid in October.</p>	<p><u>Target:</u> Increase recipients on automated distribution to 60%.</p> <p><u>Measure:</u> Percentage of recipients receiving automated distribution.</p> <p><u>Target:</u> Decrease money on hold to less than 1%.</p> <p><u>Measure:</u> Percentage of money on hold.</p> <p>(5) Portfolio Investment Officer staff is continually upgraded in experience and education.</p> <p><u>Target:</u> Increase average longevity of the investment officers to 5 years.</p> <p><u>Measure:</u> The average longevity of investment officers. (Include the Chief Investment Officer and the 4 public market and 2 private market staff reporting to the Chief Investment Officer.)</p> <p><u>Target:</u> At least 4 investment staff will have their Certified Financial Analyst (CFA) designation.</p> <p><u>Measure:</u> Number of investment staff with Certified Financial Analyst designation.</p> <p>(6) Provide PFD Division staff with needed training to perform effectively.</p> <p><u>Target:</u> 100% of new staff receive standardized training within first six months.</p> <p><u>Measure:</u> Percentage of new staff that receive standardized training within first six months.</p> <p>(7) Maximize use of PFD Division staff across unit lines throughout the cycle.</p> <p><u>Target:</u> 100% of staff are cross-trained to work in at least one other unit.</p> <p><u>Measure:</u> Percentage of staff trained to work in at least one other unit.</p> <p>(8) Increase use by the public of online filing and applicant support services.</p> <p><u>Target:</u> 95% of PFD applicants use on-line filing.</p> <p><u>Measure:</u> Number of PFD applicants that use on-line filing.</p>

Major Activities to Advance Strategies	
<ul style="list-style-type: none"> • TAX DIVISION: • -Enforce tax compliance through audit • -Focus activity examination on high risk returns and errors • -Streamline examination process 	<ul style="list-style-type: none"> • -Locate employers and assets of non-custodial parents • TREASURY MANAGEMENT • -Hold quarterly meetings with Commissioner and the investment staff

Major Activities to Advance Strategies

- -Employ IRS data and examination resources to identify non-filers
- CHILD SUPPORT ENFORCEMENT DIVISION:
- -Improve communications, processes and interface with other states
- -Establish and train a special collections unit
- -Review and adjust cases
- -Establish paternity
- -Inform obligees of accurate amounts due
- -Define roles of potential new asset class managers and perform adequate due diligence
- -Financially support meeting CFA designation targets and ongoing education requirements of the investment officers
- -Have programmer work with external custodian to automate download of accounting data
- PERMANENT FUND DIVISION
- -cross train staff to work in more than one functional area
- -allocate staff across unit lines to address peak work load
- -market on-line and myAlaska filing through media

FY2005 Resources Allocated to Achieve Results

FY2005 Department Budget: \$163,200,000

Personnel:

Full time	806
Part time	56
Total	862

Performance Measure Detail

(1) Result: Optimize tax collections.

Target: Percentage of taxes collected compared to taxes due between 92% and 98%.
Measure: Percentage of taxes collected compared to the taxes due.

(2) Result: Improve the collection and disbursement of child support due to the children served by Child Support Enforcement Division (CSED).

Target: Increase collections by 3%.
Measure: Percent change in total collections for a fiscal year.

(3) Result: Improve the risk adjusted return of funds under the stewardship of the Treasury Division by continually improving investment returns.

Target: For the funds under the fiduciary responsibility of the Commissioner of Revenue, exceed the applicable one-year target returns.
Measure: Actual returns compared with target returns reported by consultant or the custodian bank.

(4) Result: All eligible Alaskans, whose applications are not on appeal, receive their Permanent Fund Dividend (PFD) in October.

Target: 100% of eligible applicants not in appeal are paid in October

Measure: Percentage of eligible applicants not in appeal who are paid in October.

(1) Strategy: Increase audit coverage (audit activities improve compliance and revenue).

Target: Open 20 new audit cases (taxpayers that have not been audited by the Tax Division in the prior five years).

Measure: Number of new audits opened.

(2) Strategy: Increase voluntary compliance from identifying non-filers.

Target: Find 30 non-filers through compliance work.

Measure: Number of non-filers brought into compliance.

(3) Strategy: Improve the environment necessary for increased collections.

Target: Increase paternity establishments established to 90%.

Measure: Percentage of paternity establishments established.

Target: Increase cases with orders to 84%.

Measure: Percentage of cases with orders.

(4) Strategy: Improve the efficiency of distributing child support.

Target: Increase recipients on automated distribution to 60%.

Measure: Percentage of recipients receiving automated distribution.

Target: Decrease money on hold to less than 1%.

Measure: Percentage of money on hold.

(5) Strategy: Portfolio Investment Officer staff is continually upgraded in experience and education.

Target: Increase average longevity of the investment officers to 5 years.

Measure: The average longevity of investment officers. (Include the Chief Investment Officer and the 4 public market and 2 private market staff reporting to the Chief Investment Officer.)

Target: At least 4 investment staff will have their Certified Financial Analyst (CFA) designation.

Measure: Number of investment staff with Certified Financial Analyst designation.

(6) Strategy: Provide PFD Division staff with needed training to perform effectively.

Target: 100% of new staff receive standardized training within first six months.

Measure: Percentage of new staff that receive standardized training within first six months.

(7) Strategy: Maximize use of PFD Division staff across unit lines throughout the cycle.

Target: 100% of staff are cross-trained to work in at least one other unit.

Measure: Percentage of staff trained to work in at least one other unit.

(8) Strategy: Increase use by the public of online filing and applicant support services.

Target: 95% of PFD applicants use on-line filing.

Measure: Number of PFD applicants that use on-line filing.

Key Department Challenges

- The role of the Commissioner and the department has been, and continues to be, important in providing revenue information to Executive and Legislative policy makers.
- Identify revenue alternatives to address the significant challenge of closing the fiscal gap in the coming years.
- Contribute to efforts to commercialize the very large reserves of North Slope natural gas.
- Key debt issues include the "negative outlook" status given the State by Moody's Investors Service, and the potential credit ratings peril associated with the fiscal gap.
- Changes in federal performance measure incentive in the Child Support Enforcement program will affect federal incentive revenue.

Significant Changes in Results to be Delivered in FY2005

The Child Support Enforcement Division will be consolidating casework in the Anchorage Office from field offices in Juneau, Fairbanks and Wasilla. This will allow some economies of scale and more efficiencies by consolidating files and supervision.

Major Department Accomplishments in 2003

- Governor's oil and gas exploration and development legislation during the First Session of the Twenty Third Legislature included: Stranded Gas Development Act (HB16) and Royalty Reduction/Production Tax Credit (SB185).
- Alaska Permanent Fund Corporation Board of Trustees approved Percent of Market Value (POMV) relating to fund distribution. POMV legislation was introduced and moved through committee in both the House and Senate.
- The Sale of \$463 million General Obligation (GO) Bonds while maintaining AA rating.
- The Child Support Enforcement Division increased yearly collections by \$2,680.4 to \$97,682.0 in FY2003.
- The Child Support Enforcement Division improved customer services by reducing phone wait times from 3.8 minutes in FY2002 to only 2.13 minutes in FY2003.

Prioritization of Agency Programs

(Statutory Reference AS 37.07.050(a)(13))

Alaska Statute 37.07.050(a) (13) requires agencies to prioritize programs from the most important to least important. This is a difficult task as any one of the department's programs could be at the top of the list in its importance to the people of Alaska. In general the operating divisions are grouped first and then the independent corporations and authorities.

The Tax Division, which collects state revenues, and the Treasury Division, which invests the state's funds, are the department's top priorities. The Child Support Enforcement Division collects and distributes child support payments. The goals of the federal program are to ensure that children have the financial support of both parents, to foster responsible behavior towards children, and to reduce welfare costs. All of these factors are present in Alaska's program. The Permanent Fund Dividend Division touches the lives of Alaskans during the annual dividend distribution. The Commissioner's Office provides programmatic and policy guidance to programs within the department. The commissioner, or his designee, serves on most independent boards and authorities associated with the department. The Administrative Services Division provides administrative direction and support to the department's programs.

The Alaska Permanent Fund Corporation is responsible for managing and investing the approximately \$25 billion fund. The fund is expected to generate over a billion dollars a year in income. The Alaska State Pension Investment Board provides prudent and productive management and investment of state pension funds. The Alaska Housing Finance Corporation provides Alaskans access to safe, quality, affordable housing. It provides financing for multi-family complexes, congregate facilities, and single-family homes, with special loan programs for low- and moderate-income borrowers, veterans, teachers, and those living in rural areas of the state. It also provides energy and weatherization programs; low income rental housing; and special programs for the homeless and those seeking to become self-sufficient. The Alaska Municipal Bond Bank Authority provides financing for Alaska municipalities that have difficulty financing capital improvement projects such as schools, water and sewer systems, public buildings, harbors and docks. The mission of the Alaska Mental Health Trust Authority is 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. The mission of the Alaska Natural Gas Development Authority is to design, construct, operate, and maintain a natural gas pipeline system to transport natural gas from the North Slope to the lower 48.

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|---------------------------------------|--|
| 1. Tax Division | 7. Alaska Permanent Fund Corporation |
| 2. Treasury Management | 8. Alaska State Pension Investment Board |
| 3. Child Support Enforcement Division | 9. Alaska Housing Finance Corporation Operations |
| 4. Permanent Fund Dividend Division | 10. Alaska Municipal Bond Bank Authority |
| 5. Commissioner's Office | 11. Alaska Mental Health Trust Authority |
| 6. Administrative Services Division | 12. Alaska Natural Gas Development Authority |

Contact Information	
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Department Budget Summary by RDU

All dollars shown in thousands

	FY2003 Actuals				FY2004 Authorized				FY2005 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures												
None.												
Non-Formula Expenditures												
Child Support Enforcement	118.6	15,280.5	3,287.0	18,686.1	118.6	15,876.0	3,220.2	19,214.8	0.0	0.0	0.0	0.0
Revenue Programs & Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9,105.7	16,963.4	44,917.8	70,986.9
Alcohol Beverage Control Board	730.9	0.0	60.0	790.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mental Health Trust Authority	58.5	0.0	1,529.4	1,587.9	0.0	0.0	1,690.3	1,690.3	0.0	0.0	1,822.1	1,822.1
AK Municipal Bond Bank Auth	0.0	0.0	664.7	664.7	0.0	0.0	524.2	524.2	0.0	0.0	527.4	527.4
AK Natural Gas Dev Authority	0.0	0.0	0.0	0.0	150.0	0.0	0.0	150.0	150.0	0.0	0.0	150.0
Alaska Housing Finance Corp	0.0	19,336.6	17,924.5	37,261.1	0.0	21,173.1	18,184.2	39,357.3	0.0	21,734.7	19,554.0	41,288.7
PFC Custody and Management Fees	0.0	0.0	30,755.0	30,755.0	0.0	0.0	43,139.0	43,139.0	0.0	0.0	0.0	0.0
AK Permanent Fund Corporation	0.0	0.0	6,201.9	6,201.9	0.0	0.0	7,011.3	7,011.3	0.0	0.0	48,424.9	48,424.9
Anch. State Office Bldg. Revenue	7,658.2	0.4	5,959.5	13,618.1	7,901.6	0.0	6,363.8	14,265.4	0.0	0.0	0.0	0.0
ASPIB Bank Custody & Mgmt Fees	0.0	0.0	22,068.8	22,068.8	0.0	0.0	27,913.6	27,913.6	0.0	0.0	0.0	0.0
Administration and Support Permanent Fund Dividend	735.2	842.3	799.0	2,376.5	857.7	857.1	1,546.6	3,261.4	0.0	0.0	0.0	0.0
	0.0	0.0	5,271.6	5,271.6	0.0	0.0	5,479.1	5,479.1	0.0	0.0	0.0	0.0
Totals	9,301.4	35,459.8	95,618.0	140,379.2	9,027.9	37,906.2	116,062.7	162,996.8	9,255.7	38,698.1	115,246.2	163,200.0

Funding Source Summary

All dollars in thousands

Funding Sources	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
1001 Constitutional Budget Reserve Fund	121.4		125.0
1002 Federal Receipts	31,749.6	33,953.7	34,713.2
1004 General Fund Receipts	7,803.7	8,378.2	8,518.0
1005 General Fund/Program Receipts	1,376.3	649.7	612.7
1007 Inter-Agency Receipts	4,346.1	4,038.9	4,235.9
1016 Federal Incentive Payments	2,568.9	2,790.8	2,790.8
1017 Benefits Systems Receipts	99.0	99.0	99.0
1027 International Airport Revenue Fund	38.6	38.9	67.7
1029 Public Employees Retirement Fund	16,765.6	20,276.3	20,409.9
1034 Teachers Retirement System Fund	8,306.9	10,534.7	10,536.9
1042 Judicial Retirement System	138.1	275.4	277.7
1045 National Guard Retirement System	52.3	102.4	173.0
1046 Student Revolving Loan Fund	27.2	27.5	16.5
1050 Permanent Fund Dividend Fund	5,235.6	5,444.1	5,554.7
1053 Investment Loss Trust Fund	22.4	22.7	
1061 Capital Improvement Project Receipts	1,355.9	1,644.6	1,722.7
1066 Public School Fund	66.2	164.5	187.6
1092 Mental Health Trust Authority Authorized Receipts		100.0	155.4
1094 Mental Health Trust Administration	1,095.8	1,199.1	1,263.0
1098 Children's Trust Fund Earnings	37.2	53.0	34.6
1103 Alaska Housing Finance Corporation Receipts	16,674.2	16,743.3	17,045.0
1104 Alaska Municipal Bond Bank Receipts	664.7	524.2	527.4
1105 Alaska Permanent Fund Corporation Receipts	37,249.3	50,447.1	48,492.1
1108 Statutory Designated Program Receipts		750.0	750.0
1133 Indirect Cost Reimbursement	1,141.3	1,161.7	1,194.1
1142 Retiree Health Ins Fund/Major Medical	23.4	23.7	63.9
1143 Retiree Health Ins Fund/Long-Term Care Fund	36.8	37.1	70.5
1156 Receipt Supported Services	3,287.0	3,220.2	3,397.7
1163 Certificates of Participation		200.0	
1169 PCE Endowment Fund	95.7	96.0	165.0
Totals	140,379.2	162,996.8	163,200.0

Position Summary

Funding Sources	FY2004 Authorized	FY2005 Governor
Permanent Full Time	825	806
Permanent Part Time	43	56
Non Permanent	50	19
Totals	918	881

FY2005 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
PFD Imaging System Update	0	0	220,000	220,000
Child Support Enforcement Case File Imaging Project Phase 2	0	378,840	195,160	574,000
Child Support Enforcement Computer Replacement Project- Phase 5	0	138,600	71,400	210,000
Tax Document Imaging	120,000	0	0	120,000
AHFC Homeless Information Management System	0	0	35,000	35,000
AHFC Housing Loan Program/Teacher/Health Professionals Housing	0	0	4,000,000	4,000,000
AHFC Supplemental Housing Development Program	0	0	4,300,000	4,300,000
AHFC Low Income Weatherization	0	1,800,000	2,529,000	4,329,000
AHFC Senior Citizens Housing Development Program	0	0	2,000,000	2,000,000
AHFC Housing and Urban Development Federal HOME Grant	0	3,175,000	750,000	3,925,000
AHFC Housing and Urban Development Capital Fund Program	0	500,000	0	500,000
AHFC Federal and Other Competitive Grants	0	3,000,000	1,000,000	4,000,000
AHFC Competitive Grants for Public Housing	0	750,000	250,000	1,000,000
AHFC Energy Efficiency Monitoring Research	0	0	500,000	500,000
AHFC State Energy Program Special Projects	0	483,500	50,000	533,500
AHFC Homeless Assistance Program	0	0	400,000	400,000
AHFC Beneficiary and Special Needs Housing	0	0	1,200,000	1,200,000
Department Total	120,000	10,225,940	17,500,560	27,846,500

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Summary of Department Budget Changes by RDU

From FY2004 Authorized to FY2005 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2004 Authorized	9,027.9	37,906.2	116,062.7	162,996.8
Adjustments which will continue current level of service:				
-Revenue Programs & Services	-160.5	407.5	80.8	327.8
-Mental Health Trust Authority	0.0	0.0	-56.1	-56.1
-AK Municipal Bond Bank Auth	0.0	0.0	3.2	3.2
-Alaska Housing Finance Corp	0.0	561.6	569.8	1,131.4
-AK Permanent Fund Corporation	0.0	0.0	151.9	151.9
Proposed budget decreases:				
-Revenue Programs & Services	-74.5	-177.2	-91.3	-343.0
-Alaska Housing Finance Corp	0.0	0.0	-190.4	-190.4
-AK Permanent Fund Corporation	0.0	0.0	-1,877.3	-1,877.3
Proposed budget increases:				
-Revenue Programs & Services	462.8	0.0	405.0	867.8
-Mental Health Trust Authority	0.0	0.0	187.9	187.9
FY2005 Governor	9,255.7	38,698.1	115,246.2	163,200.0