Item #	Approp / Allocation	Description	Amount / Fund Source	LFD Comment	LFD Questions	Agency Comments
1	Taxation and Treasury / Treasury Division	Exempt Salary Increase	Total: $870.4 $174.1 Gen Fund (UGF) $696.3 I/A Rcpts (Other)	The Treasury Division implemented salary increases for exempt staff in the FY22 Management Plan, using leftover funds from elsewhere in the appropriation. This increment funds the higher salaries on a continuing basis. Salary increases were determined at the individual level, based on how a given employee's compensation compares to similar roles at competing institutions.	Has the division continued to experience retention issues?	The recruiting and retention environment for investment officers and other professionals has been challenging. The recent compensation increases for investment officers has been a useful retention tool. The Division has had fewer resignations thus far in FY23 and has had some recent success recruiting. However, due to the competitive labor market, it is expected that recruitment and retention will remain an issue the Division will need to address through annual requests for increased authorization as salary increases for exempt staff are not automatic. Additionally, Treasury is expecting some senior investment officers to retire in the near future and without sufficient authorization the Division would likely experience difficulty recruiting new staff at current salaries.
2	Taxation and Treasury / Treasury Division	Payment Card Industry (PCI) Compliance	$100.0 Gen Fund (UGF)	The Treasury Division is responsible for processing credit and debit card payments across State government. Currently, the State is out of compliance and being fined approximately $5,000 per month (through unbudgeted expenses such as higher fees). The Treasury Division has entered an agreement to reimburse the Office of Information Technology (OIT) to piggyback on OIT's existing contract with Structured Communication Systems, Inc. The intent is to bring Treasury into payment card processing compliance, ensuring security of public data and avoiding fines.	Does the Department have a timeline for when it expects to achieve full compliance?	PCI compliance is required of all State agencies that process credit card transactions. Treasury does not process credit card transactions, therefore is not required to be PCI compliant. Treasury's Cash Management section however oversees the banking contracts for the entire State which include the PCI requirement but lacks the authority to enforce PCI Compliance. Despite this lack of authority, Treasury has been coordinating an effort with a Qualified Security Assessor (QSA) contractor to identify gaps in compliance at agencies that process credit card transactions and make a plan for remediation. Significant progress toward PCI compliance has been achieved through the deployment of Point to Point encrypted terminals in card-present environments and PCI Scope-reducing integration methods with the merchant card processor's gateway in e-commerce environments. Thus far, the QSA contractor has completed the gap analysis on 9 of the 13 agencies that accept credit cards. Progress on the remaining agencies is limited by the time and effort those agencies are able to apply to the project. Collaboration continues with the QSA contractor and OIT staff on remediating larger statewide PCI issues including a PCI compliance policy and a PCI compliant solution to accept credit cards over the phone. Ideally the State will be able to achieve full PCI compliance in the next 12 months. However, this is a very large undertaking and the success of the project depends on many factors including cooperation and efforts by all departments that accept credit cards.
3	Taxation and Treasury / Treasury Division	Reduce Retirement Funds Supporting Cash Management	($685.0) I/A Rcpts (Other)	The Governor proposed replacing $685.0 of interagency receipts with UGF, in order to reduce cash management charges to retirement trusts. The legislature denied this fund change and instead reduced interagency receipt authority without increasing UGF authority.	How has the agency been impacted by the reduced funding? Does the Department still contend that the fund change is unnecessary to comply with trust principles?	The Department of Revenue, Division of Treasury can no longer support Cash Management Services with the appropriated budget due to the decrement from the legislature. The Department recognizes that the current allocation is appropriate and can continue without the requested fund change, however it cannot continue with the decrement to the budget. Part of a diligent allocation process is reviewing the allocation methodology each year and requesting to modify the allocation, when the Department believes an improvement can be made. In the opinion of the Department, the modification proposed to change the fund source was an improvement but it will continue the current allocation.

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4	Taxation and Treasury / Permanent Fund Dividend Division	Dividend Applicant Identity Verification	$2,000.0 PFD Fund (Other) IncOTI	The Permanent Fund Dividend (PFD) Division has seen an increase in suspicious activity, and this funding is intended to protect the applicants' personal data and prevent fraud. The legislature funded the item as a one-time item rather than as a base increment.	Please detail how these funds have been expended. If the Department has entered into a contract, provide the cost and terms of the contract. Does the agency anticipate lapsing any of these funds?	Spent Total to date: $208,370.93 Breakdown: 1. Vendor Costs beginning in August of FY23, line items in each section: Future DAIS Security $15,746.00 Support Security $40,008.50 Total $55,754.50 2. Contractor RSA between PFD & DOA for MFA implementation: $31,500.00 3. MFA advertising: $30,000 4. Additional postage costs due to additional 1099's printing requirements. USPS Postage permit cost additional 1099's: $66,000 5. Additional printing costs due to additional 1099's printing requirements: $12,000 estimate 6. Data Processing (DP) personal services security changes and upgrades: $13,116.43 Part 2: Yes, approximately $1.5 M will lapse. As data security needs increase throughout the State, the PFDD has opted to take an aggressive offensive against the possibility of a cyber, or malware attack. Our Dividend Applicant Information System (DAIS) holds one of the State's greatest information resources when it comes to its resident's personal information and each year that information is reviewed, updated, or verified by the individual. At the time of the request ID.ME was one of the few options suitable for PFDD to implement in the PFD application process for identity verification. After continued discussions and analysis, DOR determined the ID.ME option would create unique challenges in statewide implementation and would not be cost effective at this time. The Division reviewed the options and took internal steps to provide additional security measures which resulted in the PFDD spending significantly less funds while performing much of the work inhouse with some assistance from contractors. Between the contractors and PFDD DP staff the project costs are not expected to exceed $500,000. To date we are roughly $208,000 into that projected amount, with a comfortable buffer remaining in our revised project allocation. The Division may see some fluctuations in current procedures, costs, and personnel needs due to these security upgrades. Potential charges have been considered in the projected $500,000.00 spend.
5	Alaska Permanent Fund Corporation / APFC Operations	Staffing Support for Front and Back Office	$1,572.6 PF Gross (Other) 7 PFT Positions	This increment funds seven new positions as follows: 1. Three Portfolio Managers and one Data Analyst are added to the Alternative Investments team. 2. A Senior Investment Analyst is added to the Real Estate team; and 3. One IT Security Specialist and one IT Project Manager are added to support the growing complexity of APFC's overall investment strategies.	Has the Department been successful in recruiting these new positions, and if so, when did/will these positions be filled?	APFC has filled two of the seven positions, the Private Credit Portfolio Manager and the IT Security Specialist. Currently, there is active recruitment for two of the investment positions – a data/credit analyst for Fixed Income and a senior investment analyst for Real Estate. For the remaining two investment positions and the project manager, we are in the process of assessing how to best utilize these to support the portfolio.

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6	Alaska Permanent Fund Corporation / APFC Investment Management Fees	Forecasted Investment Management Fees and Supporting Investment Systems	$2,828.9 PF Gross (Other)	$2,091.4 of the increment is intended for forecasted external manager fees, $810.8 of the increment supports investment systems, and $300.0 for custody fees associated with outsourcing of new collateral margining requirements. This transaction also incorporates a $373.3 reduction in investment due diligence funding.	Have these cost projections changed?	Given that the market conditions upon which these fees are based can vary greatly throughout the year, APFC's forecast is designed to ensure there are sufficient funds to meet the contractual obligations necessary to manage the Fund. These projections have not changed. Any amounts appropriated for this allocation which are not needed will remain in the Earnings Reserve Account for future legislative appropriation.