



27<sup>th</sup> Alaska State Legislature  
House Finance Budget Subcommittee  
Department of Revenue  
FY12 Operating Budget

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**DEPARTMENT OF REVENUE**  
**FY2012 HOUSE FINANCE BUDGET SUBCOMMITTEE NARRATIVE REPORT**  
**February 22, 2011**

**RECOMMENDATIONS:**

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The House Finance Budget Subcommittee for the Department of Revenue submits a recommended operating budget for FY2012 to the House Finance Committee as follows:

Unrestricted General Funds (UGF)	\$ 29,374.1
Designated General Funds (DGF)	9,256.5
Other Funds	190,038.8
Federal Funds	73,935.2

**TOTAL** **\$302,604.6**

**BUDGET ACTION:**

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The House Finance Budget Subcommittee for the Department of Revenue held 7 meetings with the Department and analyzed all of the Governor's budget transactions. The following are budget action highlights:

- The Subcommittee recommends a total increase from the FY2012 Adjusted Base of \$2,263.7 UGF and no change in the DGF for a total General Fund change of \$2,263.7. The change from Adjusted Base in Other Funds is \$17,564.8 and from Federal Funds is \$(4,036.2). The total change from the Adjusted Base is \$15,792.3 and (1) full-time positions.
- The Subcommittee recommends removing \$150.0 general funds and 1 full-time position. We are eliminating PCN 04-3255, Chief Revenue Economist, as well as personal services funding for the amount \$140.0, \$5.0 from travel, and \$5.0 from commodities. The \$150.0 will be offered as an amendment to the full finance committee in the contractual services line. This position has been vacant for nearly

three years. The department has had a difficult time filling the position due to the collective bargaining salary restrictions the position is currently classified under. Adding the funding back in under contractual services will give the department the flexibility and ability to hire a contractor to complete the work on a long-term, continuous basis.

## Accepted

### **1. Natural Gas Commercialization- Alaska Gasline Inducement Act (AGIA) Reimbursement Fund Audit: \$125.0 UGF.**

AS 43.90.400(c) requires periodic audits of the AGIA Reimbursement Fund. \$125.0 was requested and approved to contract for this function.

### **2. The Alaska Mental Health Trust Authority- Office of the Long Term Care Ombudsman Investigator & Travel: \$120.0 UGF.**

This is a funding request for two separate items. \$26.3 will cover the cost for investigate travel around the state. Currently investigations are conducted primarily by telephone. In the past they used vacant position funding to cover the cost of travel. These funds are no longer available as the positions have been filled. \$93.7 will cover the cost of a full-time investigator position. This position was funded in FY11 as a one time item. This request makes permanent the one time funding and position approved in FY11. The investigator is responsible for protecting the rights of seniors in assisted living and skilled nursing facilities.

### **3. Administrative Services- Annual licensing for Network Servers Virtual Management: \$75.0 UGF.**

Currently the department is transitioning to a virtual management system for over all security and technology improvements and system enhancements.

### **4. Support for Alaska Gasline Development Corporation Staff: \$1,095.2 CIP Receipts (Other).**

The legislature passed HB 369 creating a Joint In-State Gasline Development team. The fiscal note only provided funding for FY11. They are requesting Capital Improvement Project (CIP) Receipt authorization to support seven existing positions within the Alaska Gasline Development Corporation.

### **5. Alaska Permanent Fund Corporation (APFC) Increase to fill all existing positions and fund salary increases: \$319.0 PF Gross (Other).**

The APFC has a staff of 34 individuals. It is important to have continuity in the corporation and by providing these salary increase, it will make the corporation more competitive with the private sector and allow them to retain the staff who are experienced and trained in this specific area of expertise.

**6. APFC Increase for due diligence travel, legal fees, and consultants: \$115.0 PF Gross (Other).**

This will cover the increased travel expenses for the board, existing business obligations for auditing, external legal services, and investment performance measurement.

**7. Constitutional Budget Reserve (CBR) Fund management fees: \$2,592.4 UGF.**

This will fund the full cost of managing the CBR in FY12.

**8. Child Support Services Division (CSSD) match increase: \$1,544.9 GF Match UGF.**

The American Recovery and Reinvestment Act (ARRA) provided federal funding and allowed Federal Incentive Payments to be used as state match through September 20, 2010. During the FY11 budget process, the legislature replaced all program receipt authorization with general match in order to clarify the budget and alleviate future problems. This will increment will maintain the FY11 budget level. This will replace the ARRA receipts which are no longer available, as well as, the Federal Incentive Funds, which are no longer eligible to meet match requirements.

**9. APFC Investment management fees and third party fiduciary fees: \$14.1 million PF Gross (Other).**

This will fund increased fees based on projected asset value growth, and fund higher fees associated with changes in the Permanent Fund's structure and strategies. The additional funding for third party fiduciary fees will provide the board with additional assistance evaluating investment strategies, investments, and investment managers.

**10. Mental Health Trust Budget: \$2,914.8 MH Trust Admin (Other).**

The Mental Health Trust Authority does zero based budgeting. Their budget this year has an increment of \$123.3 for personal services, travel, contractual, and supplies.

**11. Mental Health Trust Drug/Alcohol Coordinator: \$87.6 MH Trust Admin (other) / \$80.0 SDPR (Other).**

This will give additional authorization to fund a full-time position that will provide coordination, planning, and leadership to address alcohol abuse in the state of Alaska. The Trust has partnered with the Rasmuson Foundation and the Mat-Su Health Foundation to provide funding for this initiative. This was previously authorized through Legislative Budget and Audit for FY11.

**AMENDMENT ACTION:**

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The House Finance Budget Subcommittee for the Department of Revenue also analyzed the Governor's budget amendments submitted by February 16, 2011, and took the following action:

**Accepted:**

**1. IT System Security Services- Restore OTI: \$80.0 PFund Gross (Other)**

This will support ongoing annual network security audits and correct any deficiencies found during these audits. This will help protect against the daily 1,000 plus probe attempts on the permanent fund.

**ATTACHED REPORTS:**

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The House Finance Budget Subcommittee for the Department of Revenue adopts the attached reports:

**Subcommittee generated reports**

Budget Action Worksheet

**Legislative Finance Division Reports – House Structure**

1. Agency Totals – FY2012 Operating Budget
2. Appropriation/Allocation Summary (All Funds)
3. Appropriation/Allocation Summary (GF)
4. Transaction Comparison between ADJ Base and H Subcomm
5. Transaction Comparison between Gov Amd and H Subcomm



**Representative Anna Fairclough, Chair  
House Finance Budget Subcommittee for the Department of Revenue  
February 22, 2011**