

**2019 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between 20Adj Base and 20Gov 12/15**

Numbers and Language Differences Agencies: Rev

Agency: Department of Revenue

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Taxation and Treasury													
Tax Division													
Maintenance and Support Costs for Tax Revenue Management System	20Gov 12/15	Inc	1,650.0	0.0	0.0	1,650.0	0.0	0.0	0.0	0.0	0	0	0

The Tax Division utilizes the Tax Revenue Management System (TRMS) software to conduct much of its core mission. Key processes include: an outward facing website for taxpayers to file tax returns and applications electronically; automatic processing of applications and tax returns; automatic assessment of penalties and interest for late filing and paying of returns; automatic flagging for audit of returns when certain criteria are met; the ability to run detailed reports; and more. It is also the database in which taxpayers submit files as well as state generated communications and audit documents are interlinked.

TRMS was originally paid for by a \$34.7M appropriation in 2011 (FY12 capital budget). That appropriation covered the cost of designing and implementing the system for the initial five years through FY17. It was known at the time of initial procurement that the system would require ongoing maintenance and support that was not covered by the original appropriation, nor was there an increment added to the Tax Division's budget to cover those ongoing costs. By using the savings from recent high vacancy rates, plus two smaller fiscal note appropriations for implementing oil and gas tax credit legislation (HB247 in 2016, HB111 in 2017), the Tax Division has been able to cover the maintenance costs and support through FY19.

TRMS has allowed the Tax Division to more readily absorb the cuts of 22 positions from its budget since its implementation. TRMS has automated work that used to be done manually. Another cost benefit of the system is that the Tax Division was able to add an entire new tax type--the excise tax on marijuana--without adding any new staff. Without TRMS, the Tax Division would have required a minimum of two new employees to administer this labor-intensive tax type.

The increment of \$1.65m is broken down as follows:

Software Licensing: \$900k
Support Staff: \$750k

TRMS support staff provide onsite programming, including fixes, updates, and small changes (e.g., updating the system for statutory changes to tax rates). The TRMS team currently has over 350 separate system fix/change requests in their queue. The recommended number of support staff to support a system of Tax Division's size is 4 (this number was arrived at in speaking to other states utilizing the same system). The system cannot be maintained with less than 2 support staff, who will keep the system operating and make necessary changes (e.g., updating corporate income tax forms to conform to federal law changes).

If an increment is not received, the Tax Division will not be able to maintain TRMS. Over time, the system will become unusable--as changes are needed and cannot be made, or errors enter the system (e.g., a server update by OIT causes the TRMS interface with IRIS to go down). Even a brief interruption in service could be a major issue for the state. If there was an interruption on a major filing due date, it could affect thousands of taxpayers (e.g., October 15 is the largest corporate tax return filing due date and there are 17,000 corporate filers in Alaska). If the TRMS system goes down, the Tax Division would be unable to fulfill its mission--even if its 22 positions were restored. The Tax Division is reliant on TRMS since it contains all of the taxpayers' filing and payment history and allows taxpayers to file returns electronically. Without a working system, the Tax Division could not process a paper return. The General Fund would be impacted, as automatic assessments of penalties and interest and

**2019 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between 20Adj Base and 20Gov 12/15**

Numbers and Language Differences Agencies: Rev

Agency: Department of Revenue

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Taxation and Treasury (continued)													
Tax Division (continued)													
Maintenance and Support Costs for Tax Revenue Management System (continued)													
automatic corrections to filing errors would no longer be possible. To fulfill its mission, the Tax Division must maintain the TRMS system. Additionally, the Departments of Fish & Game and Law both utilize TRMS for several of their own services and would also suffer from an interruption in service.													
The software license fee of \$900k must be paid in order to utilize the centralized services of the contractor to keep the system operational. The Tax Division would be in short-term jeopardy without any centralized support.													
1004 Gen Fund (UGF)			1,650.0										
* Allocation Difference *			1,650.0	0.0	0.0	1,650.0	0.0	0.0	0.0	0.0	0	0	0
Treasury Division													
Add Accountant Position to Support Expanded Investment Team	20Gov 12/15	Inc	140.0	140.0	0.0	0.0	0.0	0.0	0.0	0.0	1	0	0
Add one classified Accountant V to support the expanded investment team. With adequate support, the investment team will continue to build on cost savings resulting from moving asset management in house.													
The funding for this position will come from inter-agency receipts paid from the pension funds managed by the Alaska Retirement Management Board (ARMB) and invested by the Treasury Division.													
The increase in internal capacity resulting from this investment will enable the division to more actively manage the state's assets and find new opportunities for increased returns.													
1007 I/A Rcpts (Other)			140.0										
Implement Exempt Salary Plan for Investment Officers	20Gov 12/15	Inc	150.0	150.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
This increment would allow the Treasury Division to implement an exempt salary plan. This will allow Treasury to attract and retain State Investment Officers by narrowing the difference between state salaries and current salaries available in the employment market both inside and outside of Juneau.													
The state invests in internal and external training to ensure these employees are competent in their accounting, investment, and analytical responsibilities. This investment is lost when employees take this experience and move on to more lucrative employment opportunities. Financial results are published and monitored closely in world financial centers. State Investment Officers achieving the best results will attract the attention of potential employers. By offering salaries comparable to the market, the state is in a better position to retain investment staff.													
1004 Gen Fund (UGF)			22.5										
1007 I/A Rcpts (Other)			127.5										
Move State Investment Officer Salaries to Market	20Gov 12/15	Inc	160.0	160.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
This increment would allow the Treasury Division to continue to attract and retain State Investment Officers by narrowing the difference between state salaries and current salaries available in the employment market both inside and outside of Juneau.													
The state invests in internal and external training to ensure these employees are competent in their accounting, investment and analytical responsibilities. This investment is lost when employees take this experience and move													

**2019 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between 20Adj Base and 20Gov 12/15**

Numbers and Language Differences Agencies: Rev

Agency: Department of Revenue

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Taxation and Treasury (continued)													
Treasury Division (continued)													
Move State Investment Officer Salaries to Market (continued)													
on to more lucrative employment opportunities. Financial results are published and monitored closely in world financial centers. State Investment Officers achieving the best results will attract the attention of potential employers. By offering salaries comparable to the market, the state is in a better position to retain investment staff.													
			4.8										
			155.2										
	20Gov 12/15	FndChg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
Funds													
The Treasury Division is responsible for managing the State's treasury and pension funds. The Treasury Division utilizes a federally approved cost allocation plan to develop budgets and allocate costs equitably among each fund, trust, and client agency. There continues to be a shift in assets under management with more funds being managed by the Alaska Retirement Management Board (ARMB), causing the total of the State assets being managed percentage to decrease. Similarly, the cost allocation among the State assets is shifting. As the balance in the Constitutional Budget Reserve Fund (CBRF) has decreased, the other state assets share a greater cost burden resulting in the need for increases in some appropriations.													
The Treasury Division cannot absorb these allocable costs without shifting to the general fund.													
Retiree Health Insurance Fund - Long Term Care \$64.4													
Retiree Health Insurance Fund - Major Medical \$1.5													
International Airports Revenue Fund \$3.8													
Public School Trust Fund \$78.5													
General Fund <\$148.2>													
			-148.2										
			65.9										
			3.8										
			78.5										
* Allocation Difference *			450.0	450.0	0.0	0.0	0.0	0.0	0.0	0.0	1	0	0
Alaska Retirement Management Board													
	20Gov 12/15	Inc	140.0	0.0	0.0	140.0	0.0	0.0	0.0	0.0	0	0	0
Treasury Support Position Paid by Alaska Retirement Management Board with Reimbursable Services Agreement													
Alaska Retirement Management Board increase for a new position that is supported through a reimbursable services agreement with the Treasury Division.													
			68.4										
			44.2										
			26.5										
			0.7										
			0.2										
	20Gov 12/15	Inc	155.2	0.0	0.0	155.2	0.0	0.0	0.0	0.0	0	0	0
Treasury Investment Officer Salaries Paid by Alaska Retirement Management Board with Reimbursable Services Agreement													

**2019 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between 20Adj Base and 20Gov 12/15**

Numbers and Language Differences Agencies: Rev

Agency: Department of Revenue

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Taxation and Treasury (continued)													
Alaska Retirement Management Board (continued)													
Treasury Investment Officer Salaries Paid by Alaska Retirement Management Board with Reimbursable Services Agreement (continued)													
Alaska Retirement Management Board salary increases that are supported through a reimbursable services agreement with the Treasury Division for moving State Investment Officer salaries to market.													
1017 Group Ben (Other)			75.8										
1029 PERS Trust (Other)			49.0										
1034 Teach Ret (Other)			29.4										
1042 Jud Retire (Other)			0.8										
1045 Nat Guard (Other)			0.2										
Treasury Exempt Salary Plan Paid by Alaska Retirement Management Board with Reimbursable Services Agreement	20Gov 12/15	Inc	127.5	0.0	0.0	127.5	0.0	0.0	0.0	0.0	0	0	0
Alaska Retirement Management Board exempt salary plan supported through a reimbursable services agreement with the Treasury Division.													
This increment would allow the Treasury Division to implement an exempt salary plan and allow Treasury to attract and retain State Investment Officers by narrowing the difference between state salaries and current salaries available in the employment market both inside and outside of Juneau.													
The state invests in internal and external training to ensure these employees are competent in their accounting, investment and analytical responsibilities. This investment is lost when employees take this experience and move on to more lucrative employment opportunities. Financial results are published and monitored closely in world financial centers. State Investment Officers achieving the best results will attract the attention of potential employers. By offering salaries comparable to the market, the state is in a better position to retain investment staff.													
1017 Group Ben (Other)			62.2										
1029 PERS Trust (Other)			40.2										
1034 Teach Ret (Other)			24.1										
1042 Jud Retire (Other)			0.6										
1045 Nat Guard (Other)			0.4										
Purchase Equity Analytical Tool to Support Internal Management	20Gov 12/15	Inc	250.0	0.0	0.0	250.0	0.0	0.0	0.0	0.0	0	0	0
The Treasury Division is responsible for managing the State's treasury and pension funds. For the FY2019 budget, Treasury took a decrement of \$525,900 that should have been a funding source change to the Alaska Retirement Management Board (ARMB) component in anticipation of increases to in-house management support services costs.													
This increment will allow the Alaska Retirement Management Board to purchase Equity Analytic Software to support the internal management of equity. If this increment is not provided, a shift back to external managers would be required, resulting in additional management fees.													
1017 Group Ben (Other)			120.0										
1029 PERS Trust (Other)			82.4										
1034 Teach Ret (Other)			46.3										
1045 Nat Guard (Other)			1.3										

**2019 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between 20Adj Base and 20Gov 12/15**

Numbers and Language Differences Agencies: Rev

Agency: Department of Revenue

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Taxation and Treasury (continued)													
Alaska Retirement Management Board (continued)													
* Allocation Difference *			672.7	0.0	0.0	672.7	0.0	0.0	0.0	0.0	0	0	0
** Appropriation Difference **			2,772.7	450.0	0.0	2,322.7	0.0	0.0	0.0	0.0	1	0	0
Administration and Support													
Administrative Services													
Office of Information Technology Salary Adjustment Billed to Agencies	20Gov 12/15	Inc	6.6	0.0	0.0	6.6	0.0	0.0	0.0	0.0	0	0	0
The Office of Information Technology (OIT) supports staff through billable rates charged to state agencies. This increase supports the portion of OIT salary adjustments, agreed to through the GGU and SU contract negotiations, that will be billed to executive branch agencies. Agencies pay the billable rates to OIT through a variety of fund sources, this increment has been adjusted down to remove the portion of rates that will be paid through non-general fund sources.													
1004 Gen Fund (UGF)			6.6										
* Allocation Difference *			6.6	0.0	0.0	6.6	0.0	0.0	0.0	0.0	0	0	0
** Appropriation Difference **			6.6	0.0	0.0	6.6	0.0	0.0	0.0	0.0	0	0	0
Alaska Mental Health Trust Authority													
Mental Health Trust Operations													
Increase Trust Authority Administrative Budget	20Gov 12/15	Inc	267.9	309.8	-5.0	-34.6	-2.3	0.0	0.0	0.0	0	0	0
1094 MHT Admin (Other)			267.9										
* Allocation Difference *			267.9	309.8	-5.0	-34.6	-2.3	0.0	0.0	0.0	0	0	0
** Appropriation Difference **			267.9	309.8	-5.0	-34.6	-2.3	0.0	0.0	0.0	0	0	0
Alaska Housing Finance Corporation													
AHFC Operations													
Federal Funding for Receipt of HUD Mainstream Voucher Assistance	20Gov 12/15	Inc	500.0	0.0	0.0	0.0	0.0	0.0	500.0	0.0	0	0	0
AHFC provides Housing Assistance Payments to eligible low-income Alaskans to lease privately owned rental units from participating landlords. In CY2018, AHFC will receive a Mainstream Housing Assistance Voucher award through the Department of Housing and Urban Development (HUD). Mainstream vouchers are targeted to non-elderly (under age 62) persons with disabilities who are:													
<ul style="list-style-type: none"> - Transitioning out of institutional or other segregated settings; - At serious risk of institutionalization; - Homeless; or, - At risk of becoming homeless. 													
AHFC will partner with the State of Alaska Department of Health and Social Services with DHSS providing referrals. The program will provide voucher assistance to up to fifty households occupied by persons with disabilities. AHFC is requesting an increment of \$500,000 for the HUD Mainstream Voucher Program.													
1002 Fed Rcpts (Fed)			500.0										

**2019 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between 20Adj Base and 20Gov 12/15**

Numbers and Language Differences Agencies: Rev

Agency: Department of Revenue

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Alaska Housing Finance Corporation (continued)													
AHFC Operations (continued)													
* Allocation Difference *			500.0	0.0	0.0	0.0	0.0	0.0	500.0	0.0	0	0	0
** Appropriation Difference **			500.0	0.0	0.0	0.0	0.0	0.0	500.0	0.0	0	0	0

**Alaska Permanent Fund Corporation
APFC Operations**

Merging of Investment Management and Operating Allocations	20Gov 12/15	TrIn	150,498.7	0.0	0.0	150,498.7	0.0	0.0	0.0	0.0	0	0	0
--	-------------	------	-----------	-----	-----	-----------	-----	-----	-----	-----	---	---	---

As APFC continues to strategically bring investment management in-house, the division between resources directly supporting investment functions versus general operations is becoming less defined. As a result, the Board's FY20 request merges what were formerly two allocations into a single allocation within the appropriation for the Corporation, and places this request within the budget bill to read as follows:

"An amount not to exceed \$176,781,600 is appropriated from Alaska Permanent Fund Corporation Receipts for the investment and operating costs of the Alaska Permanent Fund Corporation."

Merging the allocations consolidates resources to support the Board's current investment strategy. This allows for a holistic approach for strategic and resource planning, creating a more nimble and flexible structure from which to operate as APFC competes with public and private sector peers in the investment markets.

1105 PF Gross (Other) 150,498.7

Authority to Meet Operational Needs Due to Growing Fund	20Gov 12/15	Inc	5,296.3	0.0	0.0	5,296.3	0.0	0.0	0.0	0.0	0	0	0
---	-------------	-----	---------	-----	-----	---------	-----	-----	-----	-----	---	---	---

This investment management increment reflects growing assets under management and the increased cost of the tools needed to manage them effectively. Fee increases are based upon Callan's growth assumptions by asset class, the Fund's asset allocation, and the contractual fee terms for external management.

Also included in this increment is the natural growth in existing data costs, as well as a provision for new systems and data feeds. As the portfolio evolves into new types of investments, additional supporting analytics is required.

An increment for custody fees is included in this request to cover increasing support services which are required to participate in some emerging markets. As the Funds' exposure to these markets increases, so do these costs.

1105 PF Gross (Other) 5,296.3

Adequate Staffing & Compensation for Fund Management	20Gov 12/15	Inc	3,032.4	3,032.4	0.0	0.0	0.0	0.0	0.0	0.0	4	0	0
--	-------------	-----	---------	---------	-----	-----	-----	-----	-----	-----	---	---	---

APFC's Board of Trustees recognizes the importance of adequate staffing to ensure effective in-house investing and provide the necessary oversight of external managers. Included in this request are four new positions: two in the investments section, one attorney, and one administrative support staff.

These four positions require an appropriation of \$905,107 in salary & benefits.

Attracting and retaining qualified staff is critical to the responsible management of the Fund. This request also includes the following items related to adequate staffing and compensation resources for APFC's staff:

Retention and merit adjustments for all APFC staff based on annual performance reviews: \$352,899

**2019 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between 20Adj Base and 20Gov 12/15**

Numbers and Language Differences Agencies: Rev

Agency: Department of Revenue

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Alaska Permanent Fund Corporation (continued)													
APFC Operations (continued)													
Adequate Staffing & Compensation for Fund Management (continued)													
An increase in honoraria for the Board of Trustees to accommodate additional days of service related to special meetings and training opportunities: \$8,260													
Implementation of incentive compensation (including benefits): \$1,803,885													
The incentive compensation program is only available for investment staff and will be implemented based on a policy approved by the Board of Trustees. According to the compensation study performed by McLagan for APFC, most pension, endowment, and sovereign wealth funds offer some type of performance-based compensation to their investment professionals. To avoid inflating salaries in times of good performance, these programs are designed to provide one-time rewards for making high-level contributions to the Fund. In order to remain competitive with peers, the Board has included an increment in the FY20 personal services request to fund a similar program for APFC. Costs for this program are \$1.4 million in incentive compensation and \$403,885 for associated retirement benefits.													
Included in this personal services request is a 3% vacancy factor.													
1105 PF Gross (Other)			3,032.4										
Replace End-of-Life Data Center Equipment	20Gov 12/15	Inc	50.0	0.0	0.0	0.0	0.0	50.0	0.0	0.0	0	0	0
Included in this request are amounts related to replacing end-of-life equipment in APFC's data center as well as the purchase of physical servers to back up virtual servers for the corporation's critical systems, resulting in an increment of \$50,000 over FY19.													
1105 PF Gross (Other)			50.0										
Reducing Authority for Employee Workstations	20Gov 12/15	Dec	-80.3	0.0	0.0	0.0	-80.3	0.0	0.0	0.0	0	0	0
The FY20 request for commodities includes a decrement of \$80,300. All staff workstations will have been replaced during FY18 and FY19, so anticipated costs in this area are lower than in recent years. Remaining funding in this item is anticipated to be adequate for replacements as needed for regular maintenance.													
1105 PF Gross (Other)			-80.3										
Reducing Authority for Corporate Legal Work and Consulting	20Gov 12/15	Dec	-90.1	0.0	0.0	-90.1	0.0	0.0	0.0	0.0	0	0	0
The need for non-investment related legal work and consulting over the past few years has been lower than budgeted. This decrement is reflective of this reduced anticipated expense.													
1105 PF Gross (Other)			-90.1										
* Allocation Difference *			158,707.0	3,032.4	0.0	155,704.9	-80.3	50.0	0.0	0.0	4	0	0
APFC Investment Management Fees													
Merging of Investment Management Allocation into Operating	20Gov 12/15	TrOut	-150,498.7	0.0	0.0	-150,498.7	0.0	0.0	0.0	0.0	0	0	0
1105 PF Gross (Other)			-150,498.7										
* Allocation Difference *			-150,498.7	0.0	0.0	-150,498.7	0.0	0.0	0.0	0.0	0	0	0
** Appropriation Difference **			8,208.3	3,032.4	0.0	5,206.2	-80.3	50.0	0.0	0.0	4	0	0
*** Agency Difference ***			11,755.5	3,792.2	-5.0	7,500.9	-82.6	50.0	500.0	0.0	5	0	0

**2019 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between 20Adj Base and 20Gov 12/15**

Numbers and Language Differences Agencies: Rev
--

Agency: Department of Revenue

**** All Agencies Difference ****

<u>Column</u>	<u>Trans Type</u>	<u>Total Expenditure</u>	<u>Personal Services</u>	<u>Travel</u>	<u>Services</u>	<u>Commodities</u>	<u>Capital Outlay</u>	<u>Grants</u>	<u>Misc</u>	<u>PFT</u>	<u>PPT</u>	<u>TMP</u>
		11,755.5	3,792.2	-5.0	7,500.9	-82.6	50.0	500.0	0.0	5	0	0

Column Definitions

20Adj Base (FY20 Adjusted Base) - FY19 Management Plan less one-time items, plus FY20 adjustments for position counts, funding transfers, line item transfers, temporary increments (IncT) from prior years, and additions for statewide items (risk management and most salary and benefit increases). The Adjusted Base is the "first cut" of the FY20 budget; it is the base to which the Governor's and the Legislature's increments, decrements, and fund changes are added.

20Gov 12/15 (FY20 Governor Request 12/15) - Includes FY20 Adjusted Base plus the Governor's operating budget bill requests for increases (increments), decreases (decrements), fund source changes, and language transactions submitted by the Governor on December 15, 2018. This is a placeholder budget and will be amended by Governor Dunleavy on the 30th day of the 2019 legislative session.