

ALASKA STATE SENATE
SENATOR DAVID WILSON
SENATE FINANCE BUDGET SUBCOMMITTEE CHAIR

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SENATE FINANCE – DEPARTMENT OF REVENUE
 Sub-Committee Members: Senator Costello, Senator Kawasaki

April 16, 2019

RECOMMENDATIONS:

The Senate Finance Subcommittee for the Department of Revenue submits a recommended operating budget for FY2020 to the Senate Finance Committee as follows:

Fund Source	FY19 Mgt Plan	FY20 Adj Base	FY20 House	FY20 Sen Sub	Adj Base vs Sen Sub
UGF	\$ 25,252.4	\$ 25,208.7	\$ 24,993.5	\$ 24,989.3	\$ (219.4)
DGF	2,597.8	2,597.8	2,597.3	2,597.3	(0.5)
Total GF	\$ 27,850.2	\$ 27,806.5	\$ 27,590.8	\$ 27,586.6	\$ (219.9)
Other	291,077.1	291,077.1	295,958.7	296,180.4	5,103.3
Federal	79,571.6	79,566.0	79,816.9	79,816.9	250.9
Total All Funds	\$ 398,498.9	\$ 398,449.6	\$ 403,366.4	\$ 403,583.9	\$ 5,134.3

SALARY ADJUSTMENT FUND SOURCE - Informational Only

UGF				\$ 525.2	
DGF				24.7	
Total GF				\$ 549.9	
Other				252.1	
Federal				357.2	
Total All Funds				\$ 1,159.2	

Positions	FY19 Mgt Plan	FY20 Adj Base	FY20 House	FY20 Sen Sub	Adj Base vs Sen Sub
PFT	832	831	829	829	-2
PPT	33	33	31	31	-2
Temp	17	17	17	17	0

**FY 2020 Senate Finance Department of Revenue Sub-Committee Close-Out Narrative
April 16, 2019**

In your packets, you should have the following items:

- Budget Close-out Narrative document
- Budget Action or BA sheet that details the transactions considered in committee
- Five committee reports from Legislative Finance, including:
 - An Agency Total report
 - Three different budget comparison reports between:
 - Adj Base to Senate Sub
 - FY20 GovAmd to Senate Sub
 - House less salary adj to Senate Sub
 - And a Wordage report

Please note: The adjusted base budget is the FY19 Management Plan, minus one-time funding, plus FY20 adjustments for position counts, funding transfers, line item transfers, temporary increments from prior years, and additions for statewide funding (risk management, and most salary and benefit increases). The adjusted base budget scenario is the first cut of the FY 20 budget; it is the base to which the Governor's and the Legislature's increments, decrements, and fund changes are added. That's our starting point.

Page 1 of the Budget Close-out narrative shows a comparison between the Adj Base budget and the Senate Subcommittee budget and reflects the following:

- **UGF has been reduced by -\$219.4**
- **DGF were increased by \$.5**
- **Other funding was increased by \$5,103.3**
- **Federal funding was increased by \$250.9**

And the total reduction, when comparing the Adj Base budget to the Senate Subcommittee budget is a reduction of \$5,134.3

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In the middle section of the narrative, you can see the salary adjustment amounts for the Department of Revenue – This is informational only – the subcommittee did not review those transactions.

The bottom portion of the page shows position totals for the FY19 Mgmt Plan, FY20 Adj Base, the FY20 House numbers, and the FY 20 Senate Subcommittee position totals.

The position comparison between adj base and the senate subcommittee reflects:

- 1 PFT vacant position was deleted in the Tax Division;
- 1 PFT and 2 PPT vacant positions were deleted in the Permanent Fund Dividend Division.

These were the only changes in the position counts.

The Senate Finance Budget Subcommittee for the Department of Revenue held four meetings with the department and analyzed all of the Governor's amended budget transactions.

The following highlights the budget reductions in the Senate Subcommittee:

Total travel reductions of -\$576.8, which is comprised of -\$52.8 UGF; -\$0.5 DGF; -\$235.1 in Other Funds; and -\$288.4 in federal funds

Total UGF reductions of -\$219.4 include:

- -\$78.6 for the deletion of a vacant PFT and funding in Tax Division; and
- -\$52.8 of UGF reductions related to the 50% travel reduction in the budget;
- -\$148.2 of UGF related to re-allocation investment funds for the Treasury Division.

UGF reductions were partially offset by an increase of:

- \$117.2 in UGF increases for additional investment management fees for the Treasury Division

DGF were decreased by:

- -\$0.5 as part of a travel reduction in the Permanent Fund Dividend Division;

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Other funds increased in total by \$5,103.3 including:

- \$5,296.3 increase for the Alaska Permanent Fund Corporation's additional management fees;

Other funds increases were offset by reductions of -\$193.0, including:

- -\$96.0 in travel reduction in the Treasury Division and the ARM Board;
- -\$176.5 in printing reductions and funding reductions for deleted positions

Federal funding increased by a total of \$250.9 which includes

- \$500 increase in federal authority for Alaska Housing Finance's HUD Mainstream Voucher Assistance program; and

Federal funding increases were offset by reductions of -\$248.9, including:

- decreases in costs for the Child Support Services Division related to software, imaging, postage, and travel reductions;
- Additional decreases occurred in the Commissioner's Office and the Alaska Housing Finance Corporation that were related to travel reductions

The Committee did not accept the following transactions:

- A reduction in the Tax Division of 2 PFT positions and funding in the Gaming section;
- A proposed fund source switch for the Treasury Division, which was to increase UGF by \$359.7 with an offset reduction to the PCE Endow of (\$359.7);
- An increase of \$60 million in management fees for the ARM Board Custody and Management Fees allocation
 - The "net of fees" management costs are disclosed in the ARM Board's annual report and provide transparency without adding \$60 million in additional budget authorization;

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- An increase of \$269,501.3 in management fees for the Alaska Permanent Fund Corporation Investment Management Fees allocation
 - The “net of fees” management costs are currently disclosed in APFC’s quarterly reports and the committee has a recommendation of having those disclosed in APFC’s annual report to provide transparency without adding \$270.0 million in additional budget authorization;
- A decrease of -\$274.2 in travel costs for the Alaska Permanent Fund Corporation

Sub-Committee Additions, Reductions and Changes:

- There were no other significant changes other than what’s been described previously.

Organizational Changes

- There were no organizational changes in this year’s budget.

Intent Language

- The committee added the following intent language:
 - It is the intent of the legislature that all fees associated with the income producing investments of the Fund be incorporated in the APFC Annual Report: Fees funded by investments, fees funded by appropriation, and corporate expenses.
 - We did not accept the department level language of “At the discretion of the Office of Management and Budget, funding may be transferred between all appropriations in the Department.”

Committee recommendations:

The committee did not have any additional recommendations.

**FY 2020 Senate Finance Department of Revenue Sub-Committee Close-Out Narrative
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ATTACHED REPORTS:

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

- Agency Totals – FY2020 Operating Budget
- Transaction Comparison 1
- Transaction Comparison 2
- Transaction Comparison 3
- Salary Adjustment Report
- Wordage



Senator David Wilson, Chair