

**DEPARTMENT OF REVENUE
FY15 Increment Status**

Governor's Budget Items Approved with Modifications

Item #	Bill #	Title	Gov Request	Amount Approved	FY15 CC Book Comment	GF Dec?	LFD Notes/Questions?	Dpt Comments
1	Taxation and Treasury/ Permanent Fund Dividend Division	Pick.Click.Give Program Fund Source Change	\$66.9 UGF	\$66.9 GF/PR (DGF)	The legislature changed all unrestricted general funds within the Permanent Fund Dividend Division to general fund program receipts. The division collects a \$250 fee from each applicant participating in the Pick.Click.Give Program and has been collecting sufficient revenue to cover program costs since the program's inception.		How much was collected in FY14? What was the carryforward balance from FY14 into FY15?	\$133,250 was collected in FY14. \$161,200 was the carryforward balance from FY14 into FY15.
2	Administration and Support/ Natural Gas Commercialization	Audit of the Alaska Gasline Inducement Act Reimbursement Fund	\$125.0 UGF	\$125.0 UGF IncOTI	Since funding for an annual audit of the Alaska Gasline Inducement Act (AGIA) Reimbursement fund is anticipated to be needed for FY15 only, it was removed from the base budget and restored as a one-time increment for review in future budgets.		Was an audit completed in FY14 and will one be completed in FY15? Is the FY14 audit available to read?	A combined audit for calendar year 2013 and 2014 is almost completed. This audit is confidential in nature, but the first few pages could be made available to Legislative Finance. The first pages include the purpose, what was done, and a conclusion (this information is included in the disbursement report provided to the legislature within the first 10 days of regular session).

Legislative Additions and Deletions

Item #	Bill #	Title	Amount/Fund Source	FY15 CC Book Comment	GF Dec?	LFD Notes/Questions?	Dpt Comments
3	Alaska Mental Health Trust Authority/ Mental Health Trust Operations	Fetal Alcohol Spectrum Disorders (FASD) Media Campaign	\$500.0 GF/MH (UGF)	The legislature added funding for the Alaska Mental Health Trust Authority (AMHTA) to manage a Fetal Alcohol Spectrum Disorders (FASD) media campaign. AMHTA will engage social media, print media, radio messaging, and television advertising to communicate a message intended to educate, move, and motivate the general public regarding the movement to end FASD in Alaska.		Is there an allocation plan for expending these funds?	AMHTA solicited for proposals in October 2014. A contract is in place and in progress.

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Fiscal Notes

Item #	Bill #	Title	Amount/Fund Source	FY15 CC Book Comment	GF Dec?	LFD Notes/Questions?	Dpt Comments
4	HB 193 (Chapter 74, SLA 2014)	Municipal Taxation of Tobacco Products	\$136.7 SDPR (Other) 1 PFT position	<u>Taxation and Treasury / Tax Division</u> HB 193 allows the Department of Revenue to enter into agreements with municipalities to conduct joint audits of cigarette taxpayers. It also allows the department to sell cigarette tax stamps and collect cigarette tax revenue on behalf of a municipality, if the municipality adopts a cigarette tax stamp as the mechanism for collecting cigarette taxes. The department may be reimbursed by a municipality for the costs associated with selling a municipality's tax stamp and collecting the cigarette tax revenue. One additional Tax Technician II position was added to track the sale of cigarette tax stamps for municipalities.		When was this position established and has the position been filled? (Please provide a hire date or anticipated hire date for each position.)	This position was approved in July 2014 by OMB, but has not been established in Online Position Description (OPD) by the department since there are no agreements in place with municipalities.
5	HB 306 (Chapter 61, SLA 2014)	Evaluation of Indirect Expenditures; Tax Credits	\$400.0 UGF 1 PFT & 3 Temp positions	<u>Taxation and Treasury / Tax Division</u> HB 306 requires the Department of Revenue to publish a Indirect Expenditure Report providing detailed analysis of every "indirect expenditure" in the state by July 1, 2014 and continue publishing the report bi-annually. "Indirect expenditures" are broadly defined as tax credits, exemptions, deductions (not including deductions incurred in the normal course of a trade or business), discounts, exclusions, or other differential allowances that result in foregone revenue for the state. Two Economist III positions, one Tax Technical III position and a College Intern IV position were added for the initial analysis of all indirect expenditures. Once the initial report is complete, the department anticipates it will need to retain three positions for approximately two years, at which point the Tax Division's new revenue management system should be fully implemented and only one Economist III position will be necessary.		When were the positions established and have the positions been filled? (Please provide a hire date or anticipated hire date for each position.) LFD Comment: While there may be a FY15 reduction here as a result of recruitment delays, DOR is hoping to utilize the funding for marijuana taxation efforts.	Permanent Full Time Economist III was established in OPD in August 2014, this position is currently filled with a hire date of 10/1/2014. Non Permanent College Intern was established July 2014. The second recruitment for this position is currently underway with a close date of December 15, 2014. Non Permanent Economist position was established in OPD in July 2014. Recruitment efforts have been made, but the Department has been unable to fill the position. Non Permanent Tax Tech III was originated in OPD in July 2014. Once established, recruitment efforts will begin right away with an anticipated hire date of early January 2015.

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Fiscal Notes (continued)

Item #	Bill #	Title	Amount/Fund Source	FY15 CC Book Comment	GF Dec?	LFD Notes/Questions?	Dpt Comments
6	SB 138 (Chapter 14, SLA 2014)	Gas Pipeline; AGDC; Oil & Gas Production Tax	\$750.0 UGF	<p><u>Taxation and Treasury / Tax Division</u> The Department of Revenue is currently in the process on implementing the new Tax Revenue Management System (TRMS). The Tax Division received \$500.0 to amend the existing contract with FAST Enterprises for reconfiguration of TRMS to reflect the tax law changes made in SB 138. It also received \$250.0 to work with the Department of Law on drafting regulations to implement SB 138.</p>		<p>What is the status of the TRM System and what is the status on implementing changes due to SB 138?</p> <p>What is the status on drafting regulations to implement SB 138?</p> <p>Recommendation: Reduce the entire \$500.0 for the TRMS contract adjustment in FY15 (negative supplemental).</p> <p>Potential Reduction: RSA work hasn't begun yet with LAW drafting regulations. Some amount may be justifiable as a reduction to FY15. DOR would prefer to keep the authorization</p>	<p>After much discussion, it was determined that what is being configured in TRMS today is a good baseline/foundation for SB138 and the Alaska LNG project. Since the project is approximately 10 years from first gas and there may be other anticipated changes to the plan over the next few years, it was determined that there is no need to implement changes in TRMS at this point in time.</p> <p>The Department has signed a reimbursable service agreement with the Department of Law in the amount of \$250.0 to begin work on drafting regulations.</p>