

**DEPARTMENT OF REVENUE
FY16 - Increment/ Decrement Status**

Governor's Budget Items Approved as Requested

Item #	Appropriation/ Allocation	Description	Amount/Fund Source	FY16 CC Book Comment	GF Dec?	LFD Notes/Questions?	Agency Comments
1	Taxation and Treasury/ Treasury Division and ARMB	Add Funding for Two Investment Officer Positions	\$300.0 I/A Receipts (from various retirement funds via the ARM Board) (Other) 2 PFTs	Two new investment officer positions were requested to decrease external management fees on assets managed by the Alaska Retirement Management Board. Once the positions are fully trained and implemented, the estimated savings as a result of bringing services in-house is \$1.2 million. The funding for the positions will come from the retirement accounts managed by the Alaska Retirement Management Board.		As recent as January, DOR had five vacant Investment Officer positions, including these two. Three of the five have been filled. Of the five, are these the remaining vacant positions? Are they being recruited? Is there an expectation for them being filled?	The Division took a different approach to recruiting, casting a more national recruitment net, and targeting investment professionals via internet platforms in addition to traditional advertising within the state. This recruitment was for the 2 new investment positions effective July 1 and a recently vacated investment position. With 2 additional investment staff departures, all resumes were considered for the 5 positions. We have hired 3 and, are in negotiations with a 4th and will consider refreshing the still-open recruitment for the 5th position as soon as practicable. We expect these positions to be filled this year and are requesting 2 additional investment staff in FY17 to continue developing our in house management of assets for the ARMB.
2	Permanent Fund Corporation/ APFC Operations	Various Increments	\$779.7 Permanent Fund Corporation Gross Receipts (Other) 4 PFTs	Funding for two new senior investment officers (\$245.0 each) will allow for continued expansion of the real estate portfolio and special opportunity/alternative investments portfolio. Investment officer time has been increasingly consumed with maintaining existing investments. The new positions will allow for lower level staff to maintain the existing portfolio while the senior positions will be able to concentrate more time on new opportunities. Likewise, an Investment Analyst position was approved for the Private Markets portfolio managed internally by APFC. This position, coupled with a new accountant position (together totaling \$289.7), will allow for further expansion of internally managed private market investments which is estimated to save APFC \$900.0 in external management fees per year.		Please provide progress on recruitment and filling of the positions.	One Investment Officer position has been filled (Real Estate), the second Investment Officer position (Special Opportunities) and the Analyst Position (Private Markets) have been hired and will start shortly, and recruitment for the Accountant position (Private Markets) will begin the first week of February.

Legislative Additions/ Deletions

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3	Executive Branch-Wide Unallocated Reduction	Executive branch-wide unallocated reduction of \$29.8 million UGF	(\$29.8) million UGF total-- Preliminary allocation to Dept of Revenue is (\$532.2) UGF	HB 2001 includes a \$29.8 million UGF unallocated reduction that will be spread among Executive Branch agencies. Although the final distribution of the unallocated reduction may change, as of July 1, 2015, the share of the reduction allocated to the Department of Revenue is \$532.2. OMB has instructed the departments to minimize layoffs and to look for efficiencies and program reductions. DOR plans to allocate the reduction to the Treasury Division. At the end of FY15, there was a shift in assets under management which had a direct impact on how the Treasury Division will allocate their FY16 expenses (based on their federally approved cost allocation plan). With more funds managed by the Alaska Retirement Management Board (ARMB), ARMB will incur a higher percentage of the costs and Treasury's costs will go down from previous years. As a result, the Treasury Division will be able to reduce their general fund spending level in FY16.		Please provide an update of the DOR (\$532.2) UGF unallocated reductions. Does the comment at left still apply? Has the reduction had any impact to Treasury?	The plan to allocate the UGF reduction to the Treasury Division currently appears to be on track as the anticipated shift in assets under management continues to progress as anticipated. This has resulted in more costs being allocated to the ARMB as planned. However, should assets not continue to shift to the ARMB as planned, we may require additional UGF funding.