

**State of Alaska
FY2004 Governor's Operating Budget**

**Department of Revenue
Administration and Support
Budget Request Unit Budget Summary**

Administration and Support Budget Request Unit

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BRU Mission

The mission of the Office of the Commissioner is to provide support and policy direction to the department's divisions. The commissioner's office assists the divisions in setting and reaching their goals for the best service to the public; to provide information and expertise as needed by the Office of the Governor, other departments and the Legislature in managing the state's finances; and to operate the hearing officer section for child support, Permanent Fund dividend and charitable gaming appeals.

Renewed emphasis has been added to the following missions recently:

- To manage the state's research and analysis — and response — to fiscal, tax and financing issues related to encouraging and promoting development of Alaska's North Slope natural gas resources.
- To assist the Governor, the Legislature and others in developing options for a long-term state fiscal plan.

The mission of the Division of Administrative Services is to provide support services for departmental programs. The Administrative Services Division provides divisions and agencies with administrative support in the most cost-effective manner. The division is responsible for ensuring that all accounting, personnel, and procurement actions initiated within the department are in compliance with statutes, regulation and administrative policy.

BRU Services Provided

The commissioner's office provides management oversight to all operating agencies within the department. Key responsibilities include providing policy direction and oversight of the divisions responsible for the administration of the Permanent Fund dividend program; administration and enforcement of charitable gaming laws; administration and enforcement of state tax laws; investment and management of state funds; and oversight of enforcement and collection of child support obligations and orders.

The commissioner or his designee serves on various boards and commissions including the Alaska Permanent Fund Corporation, Alaska State Pension Investment Board, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Municipal Bond Bank Authority, Alaska Student Loan Corporation and State Bond Committee.

The Administrative Services Division is comprised of four sections. The Human Resource Section provides centralized personnel and payroll services to the divisions and other agencies within the department for administrative purposes. The Fiscal/Budget Section serves as the general accounting section for the department and is responsible for budget preparation, expenditure projections, accounts payable, travel accounting, and general accounting transactions. The Information Technology Team is responsible for programming and maintenance support for department-wide information systems. All data processing equipment and software purchases are reviewed and approved by the data processing manager to ensure conformity with the department's established standards and long-term plans. The Director's Office includes the Administrative Manager and the Procurement Specialist. This section provides general oversight of division functions as well as providing records management, procurement and contract administration.

BRU Goals and Strategies

We continue to assess and evaluate the way we do business at the Department of Revenue. Our management philosophy stresses ongoing reassessment of our programs to provide better service to the public. We continue to identify cost-saving ways to consolidate and streamline our functions. This approach must be balanced, however, with continued perseverance of the department's main mission to collect and invest funds for public purposes. A delicate balance must be achieved in which we can continue to find operating efficiencies without jeopardizing our ability to collect and invest funds for public purposes.

Key BRU Issues for FY2003 – 2004

- The commissioner's office will devote a substantial amount of its resources to assisting the Office of the Governor and the Legislature in developing a long-term fiscal plan for the state. This will include research and analysis of revenue issues and proposals, and assisting in presenting that information to the public.
- The commissioner's staff will continue to assist the Child Support Enforcement Division in meeting its goal of providing prompt, courteous and accurate service to the public. Collections are up substantially at the child support division, and the backlog in the accounting section has been resolved. The next step will be to improve our customer service work to the high standards the public deserves.
- The commissioner's staff will help direct the Permanent Fund Dividend Division toward implementing an effective audit procedure for random selection of dividend applicants to verify their eligibility information. The dividend program has never had an audit program for verifying the accuracy of random applications, and we believe it is important to adopt such a program to show the public that we have adequate safeguards in place and deter fraudulent applicants.
- The commissioner's office is concerned that a growing number of Alaskans may be purchasing untaxed cigarettes via the Internet or through mail-order promotions to avoid the state's \$1-a-pack cigarette tax. In addition to the loss of state revenue, such access to cigarettes is contrary to the state's efforts to reduce smoking — especially by minors. The commissioner's office will be actively involved in the Tax Division's effort to secure legislative approval of a tax stamp program for Alaska. Under the proposed legislation, all cigarettes brought into Alaska would be required to have a state tobacco tax stamp. Such a visible proof that taxes have been paid would help the Tax Division in its enforcement efforts, while also producing upward of an estimated million dollars a year in revenue to the state.
- The Administrative Services Division will find itself increasingly busy with managing the department's information technology systems, as the Dividend Division continues to migrate off the state mainframe and as the Tax Division looks to increase its use of electronic tax filing. The Administrative Services Division faces key decisions in how the department's various divisions share hardware, software and expenses, and how best to provide for efficient use of IT services.

Major BRU Accomplishments in 2002

- The Commissioner's Office spent considerable time in FY02 and FY03 assisting in the negotiated regulation process for amending the state's charitable gaming regulations. The committee, comprised of representatives from the charitable gaming community and the Deputy Commissioner for the Tax Division, held meetings statewide in calendar 2002 to negotiate a set of regulatory changes to resolve several problem areas in the industry.
- The Tax Division, working with the commissioner's office, has undertaken a major revision to its twice-yearly state revenue forecast booklets. The expanded format is intended to acknowledge the growing role in Alaska's budget filled by federal funding and investment earnings, and to help educate policy makers and the public on the state's fiscal future.
- Working with the Treasury Division staff, the Commissioner's Office prepared a comprehensive report on the issue of hedging oil revenues as an option to help the state gain certainty in its future oil tax and royalty revenues. The report was distributed to members of the state's financial community and made available to the public and legislators.
- The Commissioner's Office presented to the Legislature in January 2002 a thorough analysis of the benefits, and problems, of state investment in a natural gas pipeline. The report, which was commissioned by the 2001 Legislature, provides a detailed discussion of financing and investment options for the project.
- The formal hearing staff has succeeded in reducing the time it takes to hold a hearing and issue a decision in dividend and child support appeals. We have more work to do in this area, however, and will continue looking for ways to speed up the delivery of appeal answers to the public.

Key Performance Measures for FY2004

Measure:

Commissioner's Office: The percentage of divisions that meet assigned performance measures.

Sec 136 (b) (1) Ch 124 SLA 200(HB 515)

Alaska's Target & Progress:

- 100% of the divisions are meeting most, if not all, of their assigned performance measures. The commissioner's office will continue tracking the measures and will work with those divisions in any areas where they come up short during the year

Measure:

Commissioner's Office: The average time taken to respond to complaints and questions that have been elevated to the commissioner's office.

Sec 136 (b) (2) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

- The average time for a written response to dividend complaints and questions addressed to the commissioner's office was 5.4 calendar days in Fiscal 2002 vs. 7.7 calendar days in Fiscal 2001. This follows the Fiscal 2000 response time of 6.6 days (the first year the office kept track of this statistic).
- The average time for a written response to child support complaints and questions addressed to the commissioner's office was 14.7 calendar days in Fiscal 2002 vs. 11.5 calendar days in Fiscal 2001. This is similar to the 11.23 days it took for a response in Fiscal 2000 (the first year the office kept track of this statistic).

Measure:

Commissioner's Office: The average time taken to issue decisions in child support and permanent fund dividend appeals.

Sec 136 (b) (3) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

- The average time to issue a child support formal appeal decision was 35 days after the hearing and the record has closed in Fiscal 2002. This is somewhat slower than 20- to 30-day average the previous two years, reflecting an increase in appeal cases and closing out several difficult and lengthy cases that boosted the overall average for Fiscal 2002.
- The average time to issue a dividend formal appeal decision was 25 days after the hearing and the record has closed in Fiscal 2002. This is somewhat better than the 30-day average the previous two years, reflecting better scheduling of the hearings to fit the hearing officer workloads. (The office did not start tracking these statistics until Fiscal 2000.)

Measure:

Commissioner's Office: The number of decisions sustained as compared to all decisions appealed to the commissioner's office.

Sec 136 (b) (4) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

- The hearing officer section overturned or amended about 10 percent of the dividend and child support decisions appealed to formal hearing in Fiscal 2002, a slight increase over the 8 percent figure in Fiscal 2000 and 2001. The office did not start tracking this statistic until Fiscal 2000.

Measure:

Administrative Services: The percentage of employee grievances that are overturned by a hearing officer from the Department of Administration or by an arbitrator.

Sec 137 (b) (1) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

- A log is being maintained to track the number of grievances overturned by an arbitrator. Thus far in FY 2003, one grievance has been filed. None have been overturned.
- There were no grievances overturned in FY 2002 or 2001.

Measure:

Administrative Services: The percentage of employee complaints and grievances filed at the department level that are resolved at that level.

Sec 137 (b) (2) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

- Seven grievances were filed in FY 2002; three (43%) were settled at the department level.

Measure:

Administrative Services: The cost of administrative services as compared to total personnel costs for the department.

Sec 137 (b) (3) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

- Total FY2003 Administrative Services Budget was \$1.181 million.
- Total FY2003 Department-wide Personal Services budget was \$53.628 million.
- FY 2003, the Administrative Services total budget was 2.20% of total agency personal services.
- FY 2002, the Administrative Services total budget was 2.20% of total agency personal services.
- FY 2001, the Administrative Services total budget is 2.28% of total agency personal services.

Measure:

Administrative Services: The number and amount of late penalties assessed for payroll or vendor payment.

Sec 137 (b) (4) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

- A copy of penalty pay documents will be kept on file with notation if penalty pay was issued. No late penalties for payroll were assessed in FY 2002.
- An AKSAS report will be maintained for late penalties for vendor payments. No penalties were assessed for late vendor payments in FY 2001 or FY 2002.

Measure:

Administrative Services: The number of audit exceptions resolved for the department.

Sec 137 (b) (5) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

- A log is being maintained to track the number of audit exceptions resolved for the department.
- For FY 2001, the department had five exceptions and one was resolved. The department is actively working on resolving the remaining four exceptions.

**Administration and Support
BRU Financial Summary by Component**

All dollars in thousands

	FY2002 Actuals				FY2003 Authorized				FY2004 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<u>Formula Expenditures</u>												
None.												
<u>Non-Formula Expenditures</u>												
Commissioner's Office	343.8	451.4	568.0	1,363.2	149.2	511.1	321.8	982.1	149.9	515.7	325.3	990.9
Administrative Services	368.0	329.1	395.6	1,092.7	382.9	334.4	463.0	1,180.3	383.2	336.5	465.8	1,185.5
REV State Facilities Rent	206.6	0.0	0.0	206.6	223.0	0.0	0.0	223.0	223.0	0.0	0.0	223.0
Unallocated Reduction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Totals	918.4	780.5	963.6	2,662.5	755.1	845.5	784.8	2,385.4	756.1	852.2	791.1	2,399.4

Administration and Support
Proposed Changes in Levels of Service for FY2004

Please see Components.

Administration and Support
Summary of BRU Budget Changes by Component
From FY2003 Authorized to FY2004 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2003 Authorized	755.1	845.5	784.8	2,385.4
Adjustments which will continue current level of service:				
-Commissioner's Office	0.7	4.6	3.5	8.8
-Administrative Services	0.3	2.1	2.8	5.2
FY2004 Governor	756.1	852.2	791.1	2,399.4