

Revenue Collections System Enhancements

FY2021 Request: \$25,529,400
Reference No: 61803

AP/AL: Appropriation

Project Type: Information Technology / Systems / Communication

Category: General Government

Location: Statewide

House District: Statewide (HD 1-40)

Impact House District: Statewide (HD 1-40)

Contact: Brian Fechter

Estimated Project Dates: 06/30/2020 - 06/30/2025

Contact Phone: (907)269-1034

Brief Summary and Statement of Need:

This project will upgrade the Tax Revenue Management System (TRMS) to the most up-to-date version. Simultaneously, a module will be added to the system to replace the aging Child Support Services Division’s (CSSD) case management system, NSTAR. By combining these two initiatives, the contractor is able to offer more favorable pricing and lower lifecycle costs including annual maintenance and operations of the system. It is anticipated that this investment will break-even over the first 5 years of implementation. The result will be more effective tax audits which return money to the general fund, and automation of manual tasks which reduce the need for staffing in Child Support.

Funding:	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>Total</u>
1002 Fed	\$15,529,400						\$15,529,400
Rcpts							
1005	\$10,000,000						\$10,000,000
GF/Prgm							
Total:	\$25,529,400	\$0	\$0	\$0	\$0	\$0	\$25,529,400

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> Ongoing
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
Totals:	0	0

Prior Funding History / Additional Information:

The contractor currently has 9 employees living and working in Anchorage. Implementation of a combined project (Child Support and Tax) will increase the Contractor's Alaska based staffing to 30 positions during system implementation, which equates to money spent on private sector Alaskan salaries and circulating through the Alaskan economy.

Project Description/Justification:

If each project were completed on it's own the pricing would be as follows:

CSSD NSTAR Replacement: \$25.0 Million+
Tax Division Version 12 Upgrade: \$5.0 Million
Total: \$30.0+ Million

The contractor is offering a nearly \$5.0 million discount below their ordinary pricing for pursuing both projects (total cost of \$25.5 million).

Over a 5-year period, it is anticipated that this project will result in efficiencies and enhanced revenue collections that far exceed the cost.

The Child Support Services division will be able to eliminate 28 office assistants through attrition. Once implemented, savings of \$1.9 million in staff costs will be achieved in perpetuity.

The Tax division will achieve numerous benefits by more effectively and efficiently auditing taxpayers and identifying instances of fraud and tax evasion.

Tax Revenue Management System - Version 12 Upgrade:

Sophisticated tax collection agencies must keep up with changes in technology to ensure that they are collecting every dollar of tax revenue due. Large national and multi-national private sector entities, including oil and gas corporations, cruise lines, and mining companies deploy teams of taxation experts in an attempt to minimize tax liability to the maximum extent possible. Technology is the best way to ensure that every dollar owed is paid. Thus, implementing the latest version of the system provides a net financial benefit to the state.

The system upgrade provides the State with several improvements that will bolster the Tax Division's performance, security, and outcomes.

Enhanced Security:

The Tax Division oversees 25 tax programs covering over 35,000 returns and more than \$1.0 billion in annual revenue. As such, the security of taxpayer information is of paramount importance. New features include user tracking to see who has viewed taxpayer banking information and more stringent security roles to ensure only authorized employees are able to view confidential information. The Internal Revenue Service (IRS) publication 1075 requires stringent data security measures and a data breach could cost the State millions of dollars in regulatory fines. Enhanced security features contained in the Version 12 upgrade should be considered a loss mitigation effort.

Enhanced Analytics and Fraud Prevention:

Auditing returns is an important function of any tax collection agency. Instances of tax evasion and fraud are costly, and it is important to make a good faith effort to eliminate underpayment of tax liability. The Version 12 upgrade comes with new data analytic modules to ensure accurate and complete tax payments. These analytics include a Key Performance Indicators (KPIs) function that will enable Management to timely identify and monitor taxpayer trends, audit trends, and collection trends.

The system's proprietary algorithms are specially developed to identify and flag potentially fraudulent activity based on historical tax information. This feature enhances the Tax Division's ability to identify and eliminate fraud and tax evasion. It also ensures that the State receives every dollar of tax it is owed. It is anticipated the increase in revenues associated with enhanced fraud protection will allow the State to pay for the upgrade and still retain more funds than otherwise would be possible under the current tax system version.

Operational Efficiencies:

The Version 12 upgrade will allow tax return filings and payments via a variety of mobile devices. This is likely to reduce the number of paper returns the Tax Division receives, all of which require manual scanning and data entry. This is also likely to increase the amount of electronic payments by taxpayers which reduces check processing resources. Fewer manual tasks free up more time for audit and recovery work, which in turn nets revenue back to the State. Additionally, the upgraded system will allow automated cross-tax-type analysis for single taxpayers, which currently requires manual processes. Another new function is the State programmers will have access to the system's coding, which could reduce the need for specialized programming services that often require significant financial investment when major tax code changes are made by the legislature.

Child Support Module:

The Child Support Services Division's (CSSD) case management system is over twenty years old. This system (NSTAR) is a legacy system built in the late 1980's which resides on the state's mainframe. The mainframe environment is not suitable for system enhancements and improvements. Operationally, this causes manual, antiquated processes to permeate and multiply, requiring countless Office Assistant positions to complete work that could not be automated within the current system.

Once the new case management module is implemented, the division will be able to improve process efficiencies and reduce operating costs. The new system has multiple benefits such as:

- Automation of manual processes allows the division to eliminate 28 office assistants and 2 accounting technicians at a total savings of \$1.9 million annually to the general fund.
- Manual entry is automated; more staff time can be devoted to collection activities (payment plans, working with noncustodial parents, outreach, etc).
- Increasing collections benefits the state in multiple ways.
 - o More money is diverted to the families that need it.
 - o Second, it may lift custodial families off of public programs resulting in general fund savings to the state.
 - o Third, the state may receive additional flexible federal incentive payments for improving collections.

Peer states such as Wyoming and North Dakota have approximately the same amount of cases and collections as Alaska does, but they are able to do so with half the staff and receive larger federal incentive payments for their cost effectiveness. This is largely because they have more modern systems which eliminate the need for numerous time-consuming manual processes.

Initial project timeline estimates places this as a two year project, but that is subject to change based on the selected modernization method.

Reappropriation of Unexpended Balances to the Commercial Passenger Vessel Tax Account

FY2021 Request: \$-8,595
Reference No: 63267

AP/AL: Appropriation

Project Type: Transfer

Category: Fund Transfers

Location: Statewide

House District: Statewide (HD 1-40)

Impact House District: Statewide (HD 1-40)

Contact: Dom Pannone

Estimated Project Dates: 06/30/2021 - 06/30/2025

Contact Phone: (907)465-2956

Brief Summary and Statement of Need:

The unexpended and unobligated balances, estimated to be a total of \$8,595, of the following appropriations are reappropriated to the commercial passenger vessel tax account:

Funding:	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	Total
1206 CPV Tax	\$-8,595						\$-8,595
Total:	\$-8,595	\$0	\$0	\$0	\$0	\$0	\$-8,595

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> Ongoing
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
Totals:	0	0

Prior Funding History / Additional Information:

Project Description/Justification:

* **Sec. 10.** DEPARTMENT OF TRANSPORTATION. (b)The unexpended and unobligated balances, estimated to be a total of \$8,595, of the following appropriations are reappropriated to the commercial passenger vessel tax account:

(1) sec. 4, ch. 15, SLA 2009, page 47, lines 11- 12, and allocated on page 47, lines 30 - 32, as amended by sec. 13(a), ch. 3, FSSLA 2019 (Department of Transportation and Public Facilities, cruise ship-related projects, Juneau Thane Road pavement rehabilitation) estimated to be \$712;

(2) sec. 4, ch. 15, SLA 2009, page 47, lines 11 - 12, and allocated on page 47, line 33 through page 48, line 4 (Department of Transportation and Public Facilities, cruise ship-related projects, Ketchikan: downtown pedestrian enhancements) estimated to be \$7,883;

**Reappropriation of Unexpended Balances to the Alaska
Capital Income Fund**

**FY2021 Request: \$-16,542,766
Reference No: 62950**

AP/AL: Appropriation

Project Type: Transfer

Category: Fund Transfers

Location: Statewide

House District: Statewide (HD 1-40)

Impact House District: Statewide (HD 1-40)

Contact: Dom Pannone

Estimated Project Dates: 06/30/2021 - 06/30/2025

Contact Phone: (907)465-2956

Brief Summary and Statement of Need:

The unexpended and unobligated balances, estimated to be a total of \$16,542,766, of the following appropriations are reappropriated to the Alaska capital income fund (AS 37.05.565):

Funding:	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	Total
1001 CBR Fund	\$-9,500,000						\$-9,500,000
1004 Gen Fund	\$-3,252,251						\$-3,252,251
1197 AK Cap Inc	\$-3,790,515						\$-3,790,515
Total:	\$-16,542,766	\$0	\$0	\$0	\$0	\$0	\$-16,542,766

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> Ongoing
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
Totals:	0	0

Prior Funding History / Additional Information:

Project Description/Justification:

* **Sec. 10.** DEPARTMENT OF TRANSPORTATION. (a) The unexpended and unobligated balances, estimated to be a total of \$16,542,766, of the following appropriations are reappropriated to the Alaska capital income fund (AS 37.05.565):

(1) sec. 1, ch. 82, SLA 2006, page 85, lines 22 - 24 (Department of Transportation and Public Facilities, facilities deferred maintenance and critical repairs - \$2,000,000) estimated balance of \$610;

(2) sec. 10, ch. 29, SLA 2008, page 76, line 8, and allocated on page 76, lines 31 - 32 (Department of Transportation and Public Facilities, general obligation bonds, highway deferred maintenance - \$3,000,000) estimated to be \$1,756;

(3) sec. 1, ch. 43, SLA 2010, page 3, lines 23 - 25 (Department of Transportation and Public Facilities, Chignik Lagoon - airport safety improvements - \$1,800,000) estimated to be \$80,039;

(4) sec. 7, ch. 43, SLA 2010, page 37, line 11, and allocated on page 37, lines 15 - 17 (Department of Transportation and Public Facilities, highways and facilities, central region signal malfunction management units - \$22,000) estimated to be \$337;

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(5) sec. 7, ch. 43, SLA 2010, page 37, line 11, and allocated on page 37, lines 21 - 24 (Department of Transportation and Public Facilities, highways and facilities, Manley Hot Springs shop/snow removal equipment building (SREB) - \$900,000) estimated to be \$2,817;

(6) sec. 1, ch. 5, FSSLA 2011, Page 117, line 14, and allocated on page 117, lines 24 - 26 (Department of Transportation and Public Facilities, deferred maintenance, statewide facilities deferred maintenance - \$3,100,000) estimated to be \$683;

(7) sec. 10, ch. 43, SLA 2010, page 73, lines 5 - 8, as amended by sec. 35(f), ch. 5, FSSLA 2011 (Department of Transportation and Public Facilities, Anchorage, Johns Road reconstruction - Klatt Road to High View Drive) estimated to be \$408,230;

(8) sec. 13, ch. 29, SLA 2008, page 109, lines 10 - 13, as amended by sec. 35(g), ch. 5, FSSLA 2011 (Department of Transportation and Public Facilities, Anchorage, Johns Road upgrade/reconstruction (RTP) - Klatt Road to High View Drive) estimated to be \$3,944;

(9) sec. 1, ch. 17, SLA 2012, page 132, lines 12 - 15 (Department of Transportation and Public Facilities, Anchorage - Johns Road and Klatt Road intersection design and build - \$4,000,000) estimated to be \$2,458,625;

(10) sec. 1, ch. 17, SLA 2012, page 133, lines 16 - 17 (Department of Transportation and Public Facilities, project acceleration account - \$4,500,000) estimated to be \$24,144;

(11) sec. 1, ch. 17, SLA 2012, page 150, lines 19 - 21, and allocated on page 150, lines 29 - 30 (Department of Transportation and Public Facilities, deferred maintenance, renewal, repair and equipment, highway deferred maintenance - \$16,900,000) estimated to be \$104;

(12) sec. 1, ch. 16, SLA 2013, page 78, line 32, and allocated on page 79, lines 13 - 14 (Department of Transportation and Public Facilities, asset management, emergency and non-routine repairs - \$1,000,000) estimated to be \$1,314;

(13) sec. 1, ch. 16, SLA 2013, page 96, lines 27 - 29, and allocated on page 97, lines 6 - 7 (Department of Transportation and Public Facilities, deferred maintenance, renewal, repair and equipment, highways deferred maintenance - \$15,735,700) estimated to be \$3,573;

(14) sec. 1, ch. 16, SLA 2013, page 97, lines 8 - 10 (Department of Transportation and Public Facilities, deferred maintenance, renewal, repair and equipment, statewide facilities deferred maintenance - \$2,866,400) estimated to be \$1,358;

(15) sec. 1, ch. 18, SLA 2014, page 77, lines 25 - 26, and allocated on page 78, lines 5 - 6 (Department of Transportation and Public Facilities, deferred maintenance, renewal, repair and equipment, highways deferred maintenance - \$16,000,000) estimated to be \$26,906;

(16) sec. 1, ch. 18, SLA 2014, page 77, lines 25 - 26, and allocated on page 78, lines 7 - 9 (Department of Transportation and Public Facilities, deferred maintenance, renewal, repair and equipment, statewide facilities deferred maintenance - \$3,000,000) estimated to be \$5,910;

(17) sec. 30(7), ch. 159, SLA 2004, as amended by sec. 35(f), ch. 18, SLA 2014 (Department of Transportation and Public Facilities, statewide anti-icing program) estimated to be \$11,630;

(18) sec. 31(a), ch. 3, FSSLA 2005 (Department of Transportation and Public Facilities, construction of the Chandalar maintenance station - \$3,375,000), sec. 33(b), ch. 29, SLA 2008 (Department of Transportation and Public Facilities, Richardson Highway, Shaw Creek Bridge project), sec. 1, ch. 43, SLA 2010, page 3, line 26, and allocated on page 3, lines 29 - 30 (Department of Transportation and Public Facilities, highways and facilities, Ester weigh station scale replacement - \$550,000), sec. 1, ch. 43, SLA 2010, page 5, line 9, and allocated on page 5, lines 15 - 17 (Department of Transportation and Public Facilities, emergency repairs, Glenn Highway MP 63.5 erosion emergency repairs - \$1,125,000), and sec. 1, ch. 43, SLA 2010, page 5, line 9, and allocated on page 5, lines 18 - 20 (Department of Transportation and Public Facilities, emergency repairs,

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Glenn Highway slides and MP 101 and 115 emergency repairs - \$225,000), as amended by sec. 35(g), ch. 18, SLA 2014, estimated to be \$218,910;

(19) sec. 1, ch. 38, SLA 2015, page 7, lines 6 - 7 (Department of Transportation and Public Facilities, deferred maintenance, renewal, repair and equipment - \$5,000,000) estimated to be \$1,361;

(20) sec. 4, ch. 30, SLA 2007, page 104, lines 22 - 25 (Department of Transportation and Public Facilities, Anchorage: Dowling Road extension/upgrade - Minnesota Drive to Abbott Loop Road - \$22,000,000) estimated to be \$3,790,515.

(21) sec. 1, ch. 1, SSSLA 2019, page 6, line 23, and allocated on page 6, lines 24 - 25 (Department of Transportation and Public Facilities, federal program match, federal-aid aviation state match - \$12,000,000) estimated to be \$9,500,000.