

# **The Fiscal Year 2018 Budget:**

## **Legislative Fiscal Analyst's Overview of the Governor's Request**

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*Legislative Finance Division*

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## Department of Administration

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
<b>FY17 Conference Committee (GF Only)</b>	<b>\$99,333.5</b>			
<i>FY17 Fiscal Notes</i>	834.6			
<i>CarryForward</i>	2,693.5			
<i>Misc Adjustments</i>	-			
<i>Multi-Years/Specials</i>	-			
<i>Vetoed</i>	(831.5)			
<b>FY17 Management Plan (GF only)</b>	<b>\$102,030.1</b>	\$2,696.6	2.7%	
<i>One-time Items Removed</i>	(3,899.5)			
<i>Misc Adjustments</i>	-			
<i>Agency Transfer In/ Out</i>	-			
<i>Temporary Increments (IncTs)</i>	214.0			5
<i>Maintenance Increments</i>	835.6			7
<i>FY18 Contractual Salary Increases</i>	794.7			
<b>FY18 Adjusted Base Budget (GF only)</b>	<b>\$99,974.9</b>	(\$2,055.2)	-2.0%	
<i>Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent</i>	-			
<i>FY18 Governor's GF Increments/Decrements/Fund Changes</i>	(476.5)			
<b>FY18 Governor's Agency Request (GF only)</b>	<b>\$99,498.4</b>	(\$476.5)	-0.5%	
<b>FY18 Governor's Increments, Decrements, Fund Changes and Language</b>	<b>FY18 Adjusted Base Budget (GF Only)</b>	<b>FY18 Governor's Request (GF only)</b>	<b>Change from FY18 Adj Base to FY18 Governor's Request</b>	<b>See Note:</b>
<b>Allocation</b>			<b>(\$476.5)</b>	
Administrative Hearings	135.4	185.4	50.0	1
Personnel	984.1	321.4	(662.7)	8
Purchasing	969.3	1,250.8	281.5	2
Facilities	230.1	280.1	50.0	2
Non-Public Building Fund Facilities	481.4	543.4	62.0	2
Property Management	7.3	-	(7.3)	
Motor Vehicles	16,801.4	16,551.4	(250.0)	8
<b>Non-General Fund Agency Summary</b>	<b>FY18 Adjusted Base Budget</b>	<b>FY18 Governor's Request</b>	<b>Change from FY18 Adj Base to FY18 Governor's Request</b>	<b>See Note:</b>
Other State Funds (all allocations)	226,994.6	233,332.3	6,337.7	4,5,8
Federal Funds (all allocations)	2,222.9	3,622.9	1,400.0	6
<b>Total Non-General Funds (all allocations)</b>	<b>\$229,217.5</b>	<b>\$236,955.2</b>	<b>\$7,737.7</b>	
<b>Position Changes (From FY17 Authorized to Gov)</b>	<b>1,098</b>	<b>1,181</b>	<b>83</b>	
PFT	1,041	1,143	102	4,8
PPT	19	14	(5)	
Temp	38	24	(14)	
<b>Governor's Capital Request</b>	<b>State Funds (GF + Other)</b>	<b>Federal Funds</b>	<b>Total</b>	<b>See Note:</b>
Planning and Research	-	-	-	
Maintenance and Repairs	4,500.0	-	4,500.0	
Remodel, Reconstruction and Upgrades	-	-	-	
New Construction and Land Acquisition	-	-	-	
Equipment and Materials	-	-	-	
Information Systems and Technology	500.0	-	500.0	
Other	-	-	-	
<b>TOTAL CAPITAL</b>	<b>\$5,000.0</b>	<b>\$0.0</b>	<b>\$5,000.0</b>	

## Department of Administration

The mission of the Department of Administration (DOA) is to provide consistent and efficient support services to state agencies so that they may better serve Alaskans. DOA establishes policies and coordinates services among departments and provides statewide leadership and policy direction. The department's core services are:

- legal, advocacy, and regulatory services;
- family support; and
- enterprise support services.

The department also oversees the Division of Motor Vehicles and the administrative functions of four independent boards and commissions (the Alaska Public Broadcasting Commission, the Alaska Public Offices Commission, the Alaska Oil and Gas Conservation Commission, and the Violent Crimes Compensation Board).

## BUDGET SUMMARY

The FY18 Department of Administration general fund operating budget submitted by the Governor on December 15, 2016 is \$476.5 (0.5%) *below* the FY18 Adjusted Base [a *decrease* of \$670.0 Unrestricted General Funds (UGF) and an increase of \$193.5 Designated General Funds (DGF)]. Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

## NEW PROGRAMS/ PROGRAM EXPANSION

1. **Office of Administrative Hearings (OAH) – Increase Receipt Authority for Mediation Service Fee Charges: \$50.0 GF/Program Receipts.** The OAH is actively marketing its services to municipalities and school districts as a low-cost alternative for mediation services. To date, service agreements have been activated with three entities. This increment doubles the existing program receipt authority in this allocation.
2. **Shared Services of Alaska (SSoA) Receipt Increases: \$393.5 GF/Program Receipts (DGF).** The following allocations within the SSoA reflect requests for additional fee authority:
  - **Purchasing – \$281.5 GF/Prgm.** A new vendor administrative fee has been included on all cooperative contracts administered by Purchasing. As part of the overall SSoA process, the use of these fees is needed to support personnel who are negotiating and administering statewide agreements on behalf of all branches of state government as well as local governments and other political subdivisions of the State.
  - **Facilities – \$50.0 GF/Prgm.** The Governor's request includes increased receipts due to private parking in the Linny Pacillo Parking Garage in Anchorage. This increased revenue generated from private parking allows SSoA to offset the impact of general fund reductions for the state agencies who occupy space in the garage.
  - **Non-Public Building Fund Facilities – \$62.0 GF/Prgm.** Increased GF/Program Receipt authority is requested as a result of space rented to a new private tenant at the Geologic Material Center in Anchorage.

## **MAINTENANCE OF SERVICES AND FUNDING REDUCTIONS**

### **3. Transfers to Shared Services of Alaska (SSoA) and Office of Information Technology (OIT).**

In order to provide internal services at reduced cost, the Executive Branch will implement phased consolidation of (1) cross-department services such as travel, accounts payable, P-Cards, procurement, facilities management, collection of delinquent accounts and centralized mail and print services and of (2) information technology services. Departments transferred a total of 77 positions to SSoA (3 from DOA) and another 68 positions to OIT (1 from DOA).

Departments have decremented a total of \$763.8 (\$332.8 UGF) in the FY18 budget. This represents a 10% cut related to transferred positions with the remaining 90% of funding transferred to the contractual line to fund Reimbursable Services Agreements with the SSoA.

For more information, see item #10 below or the Operating Budget Overview in the *FY18 Legislative Fiscal Analyst's Overview of the Governor's Request*.

### **4. SSoA Business Transformation Office: \$712.0 I/A Receipts (Other) and 4 PFT Positions.**

Four new Program Manager positions (two in Anchorage/ two in Juneau) are requested to provide leadership for transitioning services from agencies to the new Shared Services of Alaska division.

### **5. Affordable Care Act Mandatory Fees: \$664.0 Total [\$214.0 UGF/ \$450.0 GroupBen (Other)].**

The Patient Centered Outcome Research Institute (PCORI), created as part of the Affordable Care Act, imposes a fee for self-insured health plans to fund the PCORI trust fund. Payment of the fee for the active health plan is administered by the Division of Finance (\$55.0 UGF – IncT); while the Division of Retirement and Benefits administers the retiree health plan fee (\$159.0 UGF – IncT). Because the PCORI fees are in effect for a seven-year period, Legislative Finance Division shows the costs as temporary increments.

In addition to the PCORI fees, the Affordable Care Act also imposes a mandatory but temporary transitional reinsurance program to help stabilize premiums in the individual health insurance market. The program is funded by contributions from insurers in the individual, small group, and large group markets, as well as by self-insured health plans such as the AlaskaCare Employee and Retiree Health Plans. In FY18, this temporary, mandated fee is calculated at \$450.0 GroupBen (IncOTI).

### **6. Enterprise Technology Services/ Alaska Land Mobile Radio (ALMR) – Department of Defense Reimbursement: \$1,400.0 Fed Receipts.**

The ALMR allocation contains funding for contracts that operate and manage the State of Alaska's share of the interoperable, public safety-grade communications system for first responders and the State of Alaska Telecommunication System. This is a shared system managed by a cooperative agreement among the State of Alaska, the Department of Defense, and the Municipality of Anchorage. In FY17, the State of Alaska negotiated a new single service contract with Motorola Solutions, Inc., on behalf of all participants. As a result of the new contract, the Department of Defense can no longer pay Motorola directly, but must pass their payment through the State, who will pay Motorola Solutions, Inc. on their behalf. This increment is not an increase to ALMR services, but a change in how funds are administered.

### **7. Public Communications Services Appropriation – Restore Public Broadcasting Support to the FY17 Level: \$635.6 UGF.**

The following increments continue funding at the FY17 level:

- **Public Broadcasting Commission – Grant Funding for Oversight of Public Radio and Television: \$2.3 UGF.** This IncM restores UGF for administrative operating expenses in support of the public radio and television grantees.
  - **Public Broadcasting – T.V. – Grant Funding for Public Television: \$633.3 UGF.** The Governor’s budget also proposes the restoration of UGF in support of statewide public television services including Gavel to Gavel, 360North, and UATV.
- 8. Additional Reductions Due to Management and Contract Savings: (\$1,712.7) Total/ [(\$662.7) UGF/ (\$250.0) GF/Prgm (DGF)/ (\$800.0) I/A Rcpts (Other)] and (3) PFT Positions.** The Governor’s FY18 Budget for DOA also includes the following general fund-related decrements:
- **Centralized Administrative Services/ Personnel: (\$1,138.3) Total [(\$338.3) UGF/ (\$800.0) I/A Rcpts (Other)].** The department is working to leverage the Human Resource Management system to achieve savings and will continue to review processes for additional efficiencies.
  - **Centralized Administrative Services/ Personnel: (\$324.4) UGF and (3) PFT Positions.** Reduce the number of class studies and delete three full-time Classification positions with associated funding. The division is restructuring the Classification Section and reviewing how to mitigate the impacts of offering fewer class studies to agencies.
  - **Motor Vehicles/ Motor Vehicles: (\$250.0) GF/Prgm (DGF).** The Division of Motor Vehicles is working to streamline processes, place services online, and ensure that delivery of those services is completed efficiently.

## **OTHER ISSUES**

- 9. Bargaining Unit Negotiations.** According to the department, the State expects to initiate and complete bargaining unit agreements with the following groups for FY18 implementation (in time for submission and review by the 2017 Alaska State Legislature):
- Alaska Vocational Technical Center Teacher’s Unit (AVTECTA);
  - Inlandboatmen’s Union (IBU);
  - Masters, Mates and Pilots (MMP);
  - Marine Engineers’ Beneficial Association (MEBA);
  - Public Safety Employees Association (PSEA); and
  - Teachers’ Education Association of Mt. Edgecumbe (TEAME).

## **ORGANIZATIONAL CHANGES**

- 10. Shared Services of Alaska.** With the first wave of change and consolidation under the new “Shared Services of Alaska” (SSoA) and Office of Information Technology (OIT) appropriations, several organizational changes are reflected in the FY18 Department of Administration budget.

**New Appropriation: Shared Services of Alaska (SSoA)** [renamed from General Services] This appropriation consists of the following nine allocations:

- Accounting (new)

- Business Transformation Office (new)
- Purchasing
- Print Services (formerly Central Mail)
- Leases
- Lease Administration
- Facilities
- Facilities Administration
- Non-Public Building Fund Facilities

(Property Management no longer exists as a separate allocation and resources and positions have been transferred throughout SSoA.)

**New Appropriation:** **Office of Information Technology (OIT)** was created with two allocations:

- Chief Information Officer
- Alaska Division of Information Technology (formerly the Enterprise Technology Services allocation under the Enterprise Technology Services appropriation).

As part of the overall reorganization to SSoA and OIT, the Centralized Administrative Services/DOA Information Technology Support allocation is zeroed out as resources and staff are transferred to various allocations.

## **CAPITAL REQUEST**

The Governor's FY18 Department of Administration capital budget totals \$5 million [\$4.5 million Public Building Fund (Other)/ \$500.0 Various Retirement Funds (Other)]. No general funds are requested. The two DOA capital projects are as follows:

- **General Services Public Building Fund Buildings Deferred Maintenance: \$4,500.0 Public Building Fund (Other).** This project will continue to address deferred maintenance needs in the State Office Building, the Dimond Courthouse, the Atwood Building, the Fairbanks Regional Office Building, the Linny Pacillo Parking Garage and Office, the Palmer State Office Building, and the Alaska Geologic Materials Building.
- **Replacement of Pension and Benefits System Hardware: \$500.0 Total [\$153.2 Group Ben/ \$2.2 FICA Acct/ \$240.3 PERS Trust/ \$97.2 Teach Ret/ \$0.8 Jud Retire/ \$6.3 Nat Guard] (Other).** This project provides for the purchase and replacement of IBM and Oracle hardware for the Division of Retirement and Benefits business pension and benefits management system. This project targets specific pieces of the platforms that are failing and beyond the recommended end of life standards.

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