

DEPARTMENT OF ADMINISTRATION
FY19 - Summary of Significant Budget Issues

Governor's Budget Items Approved as Requested

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
1	Centralized Administrative Services/ Retirement and Benefits	Alaska's Health System	\$1 million ACHI Fund (DGF)	<p>The legislature approved two Governor's requests for one-time increments tasking the Division of Retirement and Benefits (DRB) to take the lead as follows:</p> <ul style="list-style-type: none"> • Stakeholder Engagement for Alaska Health System Reform – IncOTI: \$250.0 ACHI Fund (DGF). Participate in a stakeholder process to develop a plan for Alaska's health care system to improve population health and the patient care experience while reducing the per capita cost. The process will include members from the legislature, state agencies, and the provider community and is tasked with producing actionable recommendations. Existing Division staff will manage the \$250.0 in Alaska Comprehensive Health Insurance Funds (ACHI) and may pursue contracts with other entities. DRB staff will also be responsible for contract management and tracking work product. The Office of Management and Budget will continue to serve as a liaison among departments on broad health care reform efforts. • Evaluate Consolidated Purchasing and Health Care Cost Reduction Strategies – IncOTI: \$750.0 ACHI Fund (DGF). Evaluate and execute strategies to reduce the growth of state health care spending across state agencies and other public payers. The Governor's one-time increment may be used to procure actuarial and legal analysis for coordinated administration and purchasing across state agencies and public payers for health services. These analyses may also be used to implement recommendations from the Health Care Authority feasibility studies required by SB74 (Medicaid Reform: Telemedicine; Drug Database). DRB staff will be responsible for managing this \$750.0 one-time increment and may pursue contracts with other entities.
2	Centralized Administrative Services/ Health Plans Administration	Administrative Fee Increase Due to Medicare Part D Employer Group Waiver Plan Participation	\$3,750.0 Group Life Health and Life Benefits Fund (Other)	The AlaskaCare retiree health plan currently files for federal subsidies for Medicare eligible retirees through the Retiree Drug Subsidies program. Contract negotiations with Aetna were recently completed and the Division of Retirement and Benefits expects a \$3.75 million increase to administrative fees for the period beginning January 1, 2019 through June 30, 2019. This increment will promote a cost shift from the State to the federal government. Over time, the waiver is expected to reduce the State's share of the cost of drugs for retirees by \$50 million to \$60 million annually, which will then reduce employer contributions to retirement systems.
3	Shared Services of Alaska/ Purchasing	State Surplus Property Sales Growth	\$138.0 GF/Program Receipts (DGF)	The sale of surplus property has increased and is projected to continue to increase with additional marketing efforts through FY19. The legislature approved the Governor's request for additional receipt authority to align the budget with projected revenue collection.
4	Shared Services of Alaska/ Leases	Reduce Lease Funding to Align with Projected Costs	(\$1,000.0) I/A Rcpts (Other)	As agencies reduce their footprint and use office space more efficiently, less leased space is needed, resulting in reduced lease costs. This decrement aligns with projected FY19 expenditures.

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Governor's Budget Items Approved as Requested (continued)

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
5	Legal and Advocacy Services/ Various Allocations	Mental Health Trust Additions	\$280.5 MHTAAR (Other)	<p>The legislature approved the following Mental Health Trust Authority increments as proposed by the Governor:</p> <p>•Office of Public Advocacy/ Public Guardian Position Support - IncT (FY19-FY23): \$86.7 MHTAAR. Public guardians provide guardianship and/or conservatorship services for vulnerable Alaskans who are found by the court to be in need of a protective order. Alaska has been identified as having among the highest caseloads (100:1) in the country. The legislature approved funding to fill an additional public guardian position.</p> <p>•Public Defender Agency/Holistic Defense Model in Bethel - IncOTI: \$193.8 MHTAAR. The legislature also approved funding to implement the Holistic Defense model in Bethel, in a partnership between the Public Defender Agency and the Alaska Legal Services Corporation. The model addresses a defendant's criminal legal needs for a criminal attorney, a social worker to address unmet social support needs, and a civil legal aid attorney to work with the team to address any civil legal needs, addressing obstacles to successful reintegration with the hope of reducing future criminal activity.</p>
6	Legal and Advocacy Services/ Public Defender Agency	Public Defense Support to Reduce Delay, Litigation, and Case Costs	\$453.5 UGF	<p>The Public Defender Agency's current caseloads exceed the American Bar Association guidelines for maximum ethically permissible caseloads. This base increment will allow the Agency, on an ongoing basis, to fill three positions for public defense and will aid in meeting its legal obligations. The overall result will be reduced delays, litigation, and case costs.</p> <p>An identical increment was requested as a FY18 Supplemental, plus 3 PFT positions - see item 17.</p>

Governor's Budget Items Approved with Modifications

Item #	Approp/Allocation	Description	Gov Request	Amount Approved	Comment
7	Legal and Advocacy Services/ Office of Public Advocacy	Public Guardian Personal Services Support	\$1,000.0 UGF 10 PFT Positions	\$700.0 UGF 7 PFT Positions	<p>The Governor requested \$1 million UGF and 10 PFT positions to allow the Office of Public Advocacy to hire nine Public Guardians and one Guardian Ad Litem. While caseloads would remain higher than the national recommended maximum, the addition of staff is the start of an effort to provide the resources needed to properly manage the affairs of each ward over time.</p>

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Governor's Budget Items Approved with Modifications (continued)

Item #	Approp/Allocation	Description	Gov Request	Amount Approved	Comment
8	Shared Services of Alaska/ Business Transformation Office	Debt Collection and Vendor Fees	\$500.0 GF/Program Receipts (DGF)	\$1,200.0 GF/Program Receipts (DGF)	<p>SSoA is funded by:</p> <p>1) inter-agency receipts based on back-office work (travel paperwork and accounts payable) that is being completed by positions transferred from other departments and</p> <p>2) 5% of the total amount of debt collected through contracts for collection services.</p> <p>The money associated with debt collection is classified as program receipts and is used to reduce interagency receipts paid by agencies. The legislature added \$700.0 GF/Program Receipt authority (in addition to the \$500.0 GF/PR initially requested by the Governor).</p> <p>The projected amount of receipt revenue cannot be refined until SSoA gains experience with Account Control Technology, Inc. (ACT) and their efficiency at collecting debts on behalf of the State. Debt has been transferred to SSoA from the Department of Law and the Permanent Fund Dividend Division. SSoA has had initial meetings with several other departments to begin the process of analyzing and transferring additional state debt to ACT.</p> <p>Also see Supplemental item 16.</p>
9	Centralized Administrative Services/ Retirement and Benefits	Plan Sponsor and Actuarial Costs for Retirement System Activities	Open-Ended Appropriation	<p>Actuarial Costs for Bills Introduced by the Legislature - Estimated to be Zero</p> <p>Plan Sponsor and Actuarial Costs - Not to exceed \$500.0 UGF</p>	<p>The Governor's Request included an open-ended general fund appropriation for all costs attributable to retirement system activities that are statutorily ineligible for expenditure from the various retirement system accounts. The legislature split the appropriation into two distinct pieces:</p> <p>1) actuarial costs associated with bills introduced by the legislature, which is estimated to be zero; and</p> <p>2) the amount necessary to cover plan sponsor costs, including actuarial costs, not to exceed \$500.0.</p> <p>The pension and retiree health plans are trust funds and must adhere to federal and State rules regarding trusts. The rules make a clear distinction between expenses that benefit plan participants (and which can be paid by the trust) and expenses that benefit the plan sponsor. Expenses that benefit the plan sponsor are called Settlor costs and cannot be paid with retiree trust funds.</p>

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Legislative Additions and Deletions

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
10	Various Appropriations/ Various Allocations	Alignment of Authority with Actual Expenditures	Total: (\$622.6) (\$567.6) I/A Receipts (Other) (\$55.0) Stat Desig (Other)	In an attempt to "true up" the Department of Administration's budgeted numbers, the legislature reduced expenditure authority as follows: •Shared Services of Alaska/ Facilities - Reduce I/A Receipt Authority to Align with Actual Expenditures: (\$567.6) I/A Repts (Other); Since FY09, the Department of Administration's interagency receipt actuals in Facilities have averaged \$466.5. Since FY14, Facilities interagency receipt actuals have not exceeded \$477.2. To better align the Department's receipt authority with actual need, this decrement deletes all interagency receipt authority in excess of \$600.0. •Information Services Fund/ Information Services Fund - Eliminate All Receipt Authority for the Information Services Fund Appropriation/Allocation: (\$55.0) Statutory Designated Program Receipts (SDPR) (Other). Since FY09, the Department of Administration has historically spent \$0.0 in statutory designated program receipts in the Services line item of the Information Services Fund Appropriation/Allocation. In addition, the department has identified this component as unnecessary to their core services.
11	Legal and Advocacy Services/ Office of Public Advocacy	Improve Services Provided to Abused and Neglected Children by Adding Four Guardian ad Litem	\$465.0 UGF 4 PFT Positions	The legislature specifically added funding to hire one additional Guardian Ad Litem (GAL) in Anchorage, Fairbanks, Palmer, and Juneau to help bring caseloads down to acceptable levels. The number of GAL appointments has skyrocketed in recent years, growing from 1,076 in FY12 to 1,949 in FY17. Almost all of these are for Child in Need of Aid (CINA) cases. A smaller number are for custody and domestic violence cases. GALs are court-appointed and statutorily required by AS 44.21.410. The Office of Public Advocacy Child Advocacy Unit represents the best interests of abused and neglected children who are involved in the juvenile courts, including CINA, domestic violence, juvenile delinquency, private custody, adoption, and emancipation cases. While OPA is using contractors to meet some of the need, it has been difficult to find and retain contract GALs and ensure high quality work. Staff GALs generally provide higher quality service because they have direct supervision and support and greater knowledge of relevant laws and policies.
12	Legal and Advocacy Services/ Public Defender Agency	Increase Public Defender Agency Funding to Meet Projected FY19 Caseload	\$827.2 UGF 4 PFT Positions	In addition to the acceptance of the Governor's increment for \$453.5 UGF to fill three positions (see item 6 above), the legislature increased base funding to the Public Defender Agency (PDA) by \$827.2 UGF and added four more PFT positions. Per the Alaska Division of Legislative Audit, the recommended maximum ethical caseload for the PDA is 60 hours per week, or a weighted average of 59 cases per attorney. The Agency is currently projecting a weighted average of 92 cases per attorney, 56% above the recommended maximum. Per the agency, these caseloads are unsustainable, cannot be absorbed, and may force attorneys to refuse case appointments on ethical grounds. The funds added by the legislature will allow for the addition of four Attorney III positions and provide funding for a vacant Law Office Assistant I position. The attorney positions are expected to be located in Bethel, Ketchikan, Fairbanks, and Anchorage.

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Fiscal Notes

Item #	Bill #	Title	Amount/Fund Source	Comment
13	HB 47 (Chapter 49, SLA 2018)	Municipal PERS Contributions/Interest	\$141.0 UGF for FY19 \$148.0 UGF for FY18	<u>State Retirement Payments/ PERS State Assistance/ All Other PERS</u> This legislation modifies the 2008 salary floor set out in AS 39.35.255 on which Public Employees Retirement System (PERS) employer contributions are based. The change applies only to municipalities that have sustained more than a 25% decrease in population between 2000 and 2010. Conduent Human Resource Services (Conduent), the PERS actuarial consultant, calculated that the revision would shift costs from the municipalities to the State by \$148.0 in FY18 and \$141.0 for FY19.
14	HB 216 (Chapter 21, SLA 2018)	Crimes Restitution; Dividend Fund	\$178.7 Crime VCF (Other)	<u>Violent Crimes Compensation Board/ Violent Crimes Compensation Board</u> This legislation creates the Restorative Justice Account within the Permanent Fund Dividend Fund. Annually, the amount of dividends garnished from convicted felons are transferred to the Account to be appropriated by the legislature. The fiscal note directs an additional \$178.7 to the Crime Victim Compensation fund, and from there to the Violent Crimes Compensation Board to be used to compensate victims of crime.
15	SB 92 (Chapter 111, SLA 2018)	Vessels: Registration/Titles; Derelicts	\$65.0 Boat Receipts (DGF)	This legislation amends AS 05.25.055 to require boats that do not meet exemption specifications to be titled, registered, and numbered. DMV does not currently title boats and will need to adopt regulations and program software to address the new procedure. SB 92 adds a \$20 fee for boat titles or duplicate titles and a \$75 fee for registration of a barge. DMV collects revenues from boat registration and title fees and accounts for them separately as Boat Receipts (fund code 1216). A portion of new Boat Receipts will be used to pay set up costs (\$40.0) and anticipated legal costs of about \$50.0 per year.

FY18 Supplemental Appropriations

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
16	Shared Services of Alaska/ Business Transformation Office	Debt Collection and Vendor Fees	\$750.0 GF/Program Receipts (DGF)	Add GF/PR Receipt authority associated with debt collection contracts. Also see item 8.

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FY18 Supplemental Appropriations (continued)

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
17	Legal and Advocacy Services/ Public Defender Agency	Public Defense Support to Reduce Delay, Litigation, and Case Costs	\$453.5 UGF 3 PFT Positions	The Public Defender Agency's current caseloads exceed the American Bar Association (ABA) guidelines for maximum ethically permissible caseloads. Continued increases in civil case appointments combined with staff reductions resulted in caseloads that remain above guideline maximums even though criminal case appointments declined in FY17. The Agency projects that caseloads will remain above guideline limits in FY18 and FY19. The Agency experienced a reduction in Criminal Rule 39 fee revenue in FY17, and this is projected to continue into FY18 and FY19. An increase of \$453.5 general funds is necessary to replace the reduced program receipt revenue and to maintain staffing levels. This allows the Agency to fill three positions for public defense and will aid the Agency in meeting its obligations. This will reduce delay, litigation, and case costs. Criminal Rule 39 fees are assessed to reimburse the Public Defender Agency for the costs of appointed counsel. The fees are charged to clients on a schedule depending upon the outcome of their case as specified in the rule. The Department of Law then collects these fees from the client when possible. Also see item 6, which adds this same amount to the base budget in FY19.