

The Fiscal Year 2019 Budget:

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



Legislative Finance Division

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Department of Administration

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
FY18 Conference Committee (GF Only)	\$99,212.3			
FY18 Fiscal Notes	-			
CarryForward	1,297.6			
Misc Adjustments	-			
Multi-Years/Specials	-			
Vetoed	-			
FY18 Management Plan (GF only)	\$100,509.9	\$1,297.6	1.3%	
One-time Items Removed	(1,511.6)			
Fiscal Note One-Time Items	(33.6)			
Fund Source Change	-			
Temporary Increments (IncTs)	224.0			6
Maintenance Increments (IncMs) and Increments	-			
FY19 Contractual Salary Increases	136.7			
FY19 Adjusted Base Budget (GF only)	\$99,325.4	(\$1,184.5)	-1.2%	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	-			
FY19 Governor's UGF Increments/Decrements/Fund Changes	3,091.5			
FY19 Governor's Agency Request (GF only)	\$102,416.9	\$3,091.5	3.1%	
FY19 Governor's Increments, Decrements, Fund Changes and Language	FY19 Adjusted Base Budget (GF Only)	FY19 Governor's Request (GF only)	Change from FY19 Adj Base to FY19 Governor's Request	See Note:
Allocations			\$3,091.5	
Retirement and Benefits	246.0	1,246.0	1,000.0	1
Business Transformation Office	300.0	800.0	500.0	3
Purchasing	1,254.7	1,392.7	138.0	3
Office of Public Advocacy	25,133.8	26,133.8	1,000.0	4
Public Defender Agency	24,955.4	25,408.9	453.5	4
Non-General Fund Agency Summary	FY19 Adjusted Base Budget	FY19 Governor's Request	Change from FY19 Adj Base to FY19 Governor's Request	See Note:
Other State Funds (all allocations)	231,871.0	234,901.5	3,030.5	2,4,5
Federal Funds (all allocations)	3,924.9	3,900.0	(24.9)	
Total Non-General Funds (all allocations)	\$235,795.9	\$238,801.5	\$3,005.6	
Position Changes (From FY18 Authorized to Gov)	1,182	1,224	42	
PFT	1,142	1,189	47	4,7
PPT	14	10	(4)	7
Temp	26	25	(1)	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance and Repairs	4,950.0	-	4,950.0	
Remodel, Reconstruction and Upgrades	-	-	-	
New Construction and Land Acquisition	-	-	-	
Equipment and Materials	-	-	-	
Information Systems and Technology	-	-	-	
Other	-	-	-	
TOTAL CAPITAL	\$4,950.0	\$0.0	\$4,950.0	

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 FY19 Department of Administration general fund operating budget submitted by the Governor on December 15, 2017 is \$3,091.5 (3.1%) above the FY19 Adjusted Base [an increase of \$1,453.5 Unrestricted General Funds (UGF) and \$1,638.0 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.

SIGNIFICANT BUDGET CHANGES

- 1. Retirement and Benefits – Alaska's Health System: \$1 million ACHI Fund (DGF).** The Governor's request includes two one-time increments tasking the Division of Retirement and Benefits (DRB) to take the lead as follows:
 - **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.

Legislative Fiscal Analyst Comment: Per AS 21.55.430(b) the legislature may appropriate the Alaska Comprehensive Health Insurance (ACHI) fund to the Department of Commerce, Community and Economic Development to fund the Reinsurance Program. These one-time uses of the fund do not meet statutory guidance for the use of the fund. This item has been flagged as a non-designated use of a designated fund.

In addition, this fund is scheduled to be repealed as of June 30, 2018. See section 10 (Deleted subsections: Alaska Reinsurance Program) of the Operating Language for additional discussion on this issue. The legislature may wish to consider a more appropriate funding source.

2. **Health Plans Administration – Administrative Fee Increases Due to Medicare Part D Employer Group Waiver Plan Participation: \$3.75 million Group 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. Aetna contract negotiations were recently completed and the Division of Retirement and Benefits estimates an increase to the administrative fees of \$3.75 million beginning January 1, 2019, for the six-month period remaining in FY19. This increment is linked to a cost shift from the State to the federal government. Over time, as the waiver reduces the state share of the cost of drugs for retirees, employer contributions to retirement systems will decline by \$50 million to \$60 million annually.
3. **Shared Services of Alaska (SSoA) Receipt Increases: \$638.0 GF/Program Receipts (DGF).** The following allocations within the SSoA request additional receipt authority:
 - **Business Transformation Office – Debt Collection and Vendor Fees: \$500.0 GF/Prgm (DGF).** Responsibility for debt collection has been transferred to SSoA from the Department of Law and the Permanent Fund Dividend Division. GF/Program Receipts support this effort and are derived from a 5% assessment on debt collections and vendor fees assessed on statewide contracts.
 - **Purchasing – State Surplus Property Sales Growth: \$138.0 GF/Prgm (DGF).** The sale of surplus property has increased and is projected to continue to increase with additional marketing efforts through FY19. Additional receipt authority is requested to align the budget with projected revenue collection.
4. **Legal and Advocacy Services Appropriation: \$1,734.0 Total [\$1,453.5 UGF/ \$280.5 MHTAAR (Other)] and 10 New PFT Positions.** The Governor's request includes four increments for Public Guardian Support and Public Defense Support to Reduce Delay, Litigation, and Case Costs. Specific increments are as follows:
 - **Office of Public Advocacy**
 - **Public Guardian Position Support – IncT (FY19-FY23): \$86.7 MHTAAR (Other).** 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. These funds would be used to add an additional public guardian position.

- **Public Guardian Personal Services Support – Inc: \$1 million UGF and 10 PFT positions.** The additional public guardian support would 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.
- **Public Defender Agency**
 - **Holistic Defense Model in Bethel – IncOTI: \$193.8 MHTAAR (Other).** Funds will be used 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.
 - **Public Defense Support to Reduce Delay, Litigation, and Case Costs – Inc: \$453.5 UGF.** The Public Defender Agency’s current caseloads exceed the American Bar Association guidelines for maximum ethically permissible caseloads. This increment will allow the Agency to fill three positions for public defense and will aid in meeting its legal obligations. The overall result will be less delay, litigation, and case costs. (An identical increment is included in the Governor’s FY18 Supplemental Request.)

MAINTENANCE OF SERVICES AND FUNDING REDUCTIONS

5. **Shared Services of Alaska (SSoA) – Lease Cost Reduction: (\$1 million) I/A Rcpts (Other).** Costs are projected to decrease as the Leases staff works with customer agencies to make the most efficient use of leased space and continue to shrink agency footprints wherever possible. This decrement reduces lease funding to align with projected FY19 costs.
6. **Affordable Care Act Mandatory Fees: \$224.0 UGF.** 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 (FY17-FY21)]; while the Division of Retirement and Benefits administers the retiree health plan fee [\$169.0 UGF – IncT (FY14-FY20)]. Because the PCORI fees are in effect for a set period of time, Legislative Finance Division shows the costs as Temporary Increments (IncT) each fiscal year.
7. **Agency Position Transfers.** The Governor’s FY19 DOA Budget also includes significant position realignment (without funding) due to phased consolidation of cross-department services and information technology centralization:
 - **Agency Transfers Out (ATrout):** (54) Total Positions (50 PFT/ 4 PPT). A variety of positions are transferred from the Department of Administration to the Departments of

Transportation and Public Facilities, Environmental Conservation, Natural Resources, Public Safety, and the Governor's Office.

- **Agency Transfers In (ATrin):** 89 Total Positions (88 PFT/ 1 PPT). Twelve PFT positions are transferred in for Shared Services of Alaska program alignment from four departments. Centralized Office of IT program alignment transfers in 76 PFT and 1 PPT from nine departments.

ORGANIZATIONAL CHANGES

There are no significant organizational or structural changes requested by the department in FY19.

CAPITAL REQUEST

The Governor's FY19 Department of Administration capital budget totals \$4.95 million [Public Building Fund (Other)]. No general funds are requested. The single DOA capital project is:

- **Public Building Fund Deferred Maintenance, Renovation, Repair and Equipment: \$4,950.0 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.