

ALASKA DEPARTMENT OF ADMINISTRATION

DEPARTMENT OVERVIEW

Presentation to

Senate State Affairs

February 12, 2015

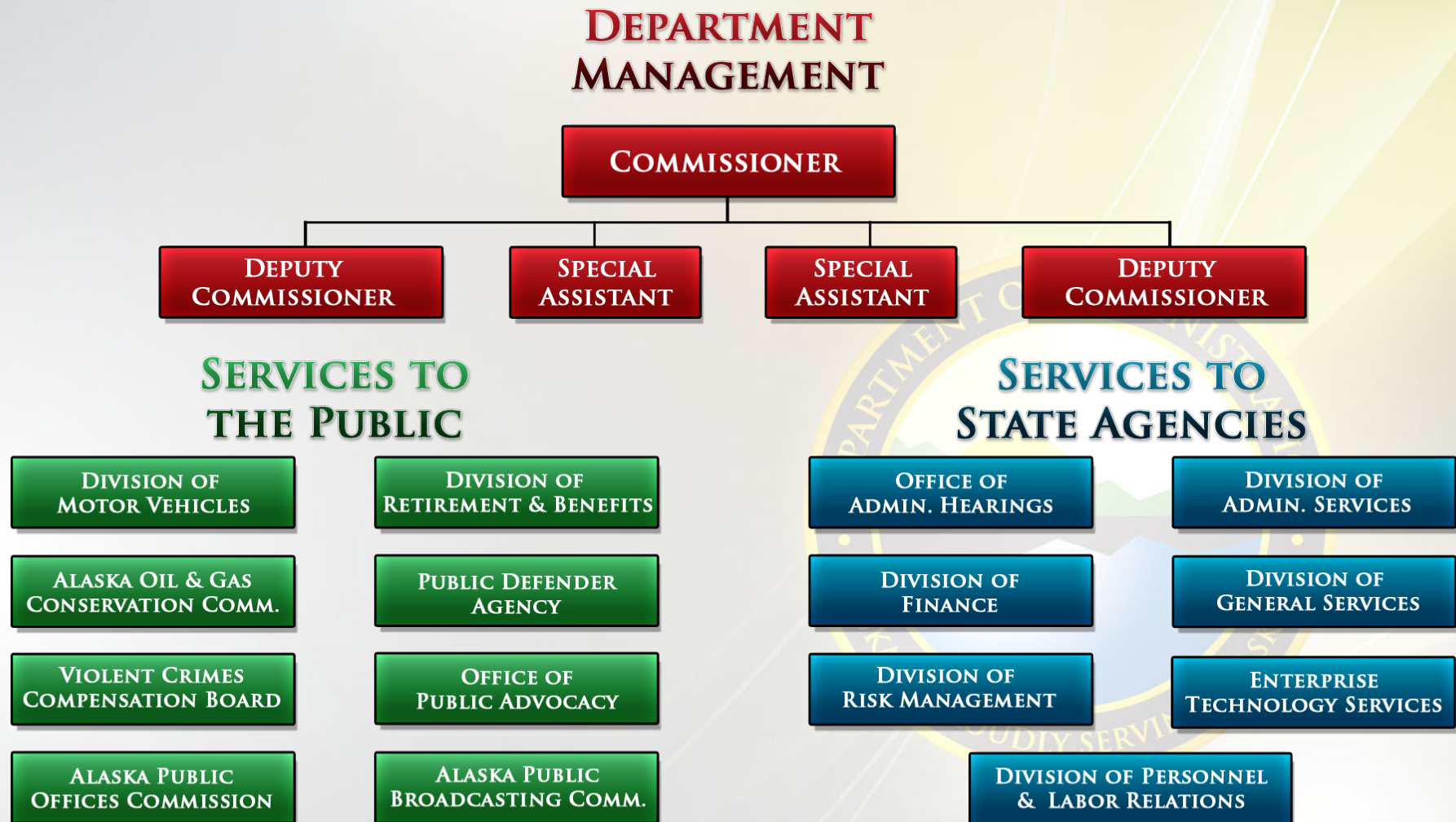
Commissioner Sheldon Fisher

Director Cheri Lowenstein

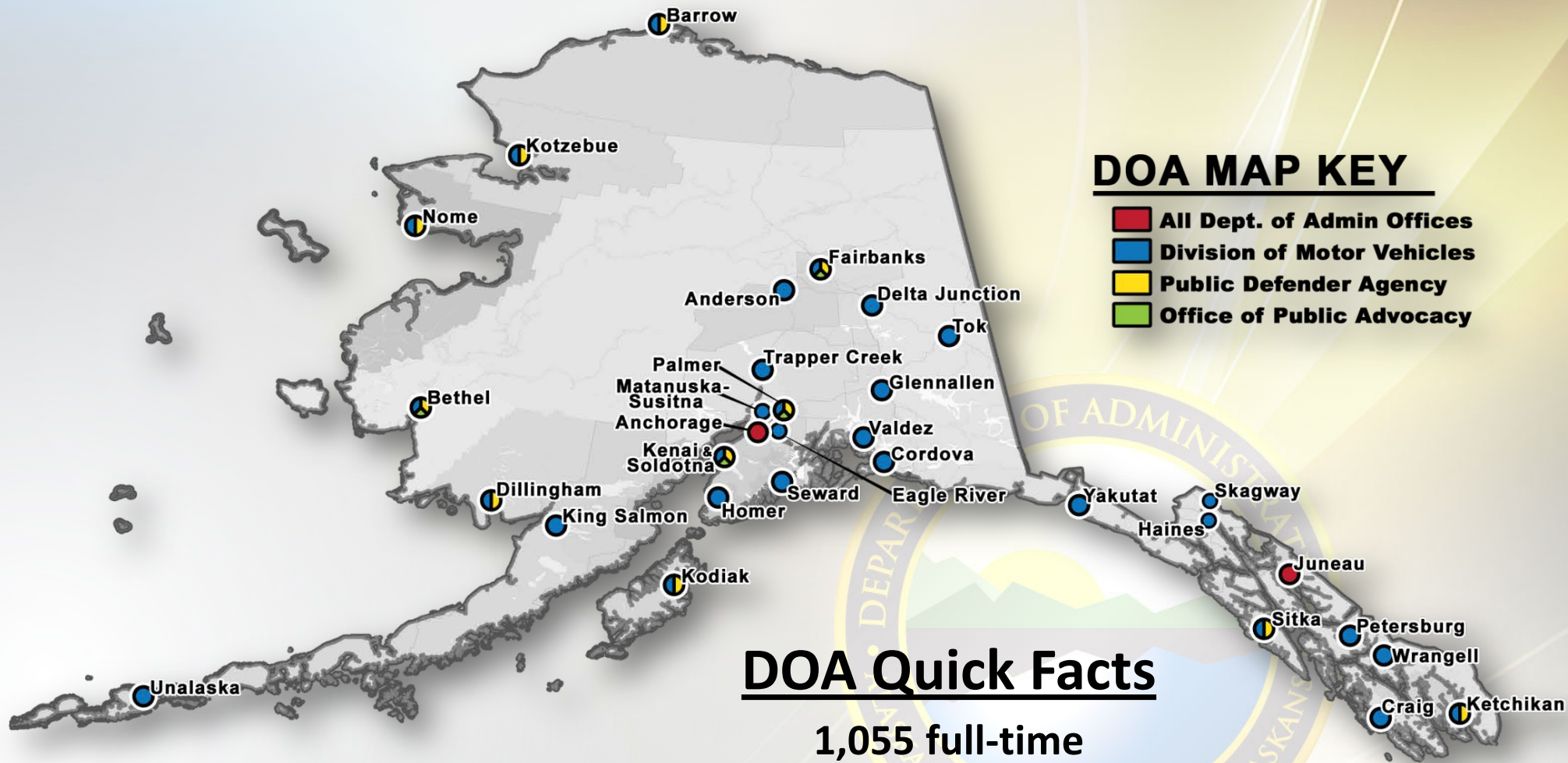


DOA MISSION AND ORGANIZATION

Mission: The mission of the Department of Administration is to provide consistent and efficient support services to state agencies so that they may better serve Alaskans.



DOA SERVICES ACROSS ALASKA



DOA Quick Facts

1,055 full-time

14 part-time

50 non-permanent

in 32 locations

DOA SERVICES TO THE PUBLIC

- **Public Defender Agency (PDA)**

- **AGENCY LEAD:** Quinlan Steiner
- **ROLE:** Provide constitutionally mandated legal representation to indigent clients appointed by the court.
- **FY2015 Management Plan:** \$26,906.8
- **General Funds** \$25,963.3
- **POSITIONS:** 187

- **Office of Public Advocacy (OPA)**

- **AGENCY LEAD:** Rick Allen
- **ROLE:** Conflict counsel for PDA, Guardian Ad Litem (GAL) program, and Child in Need of Aid (CINA) program
- **FY2015 Management Plan:** \$25,371.2
- **General Funds** \$23,803.5
- **POSITIONS:** 136

- **Div. of Motor Vehicles (DMV)**

- **AGENCY LEAD:** Amy Erickson
- **ROLE:** Title and registration of vehicles/trailers, driver testing and licensing, and Commercial driver licensing
- **FY2015 Management Plan:** \$17,994.5
- **General Funds** \$0.0
- **POSITIONS:** 156

- **Div. of Retirement and Benefits (DRB) & Special Systems**

- **AGENCY LEADS:** Jim Puckett, Kathy Lea, Michele Michaud, and Keven Worley
- **ROLE:** State employee, teacher, and political subdivision retirement plan administration, Health plan administration
- **FY2015 Management Plan:** \$44,941.6
- **General Funds** \$2,377.0
- **POSITIONS:** 119

DOA SERVICES TO THE PUBLIC

- **Alaska Public Broadcasting Commission (APBC) & AIRRES Grants**

- **AGENCY LEAD:** Jamie Waste
- **ROLE:** Grants and administration of public television and radio to all parts of Alaska
- **FY2015 Management Plan:** : \$5,471.0
- **General Funds** \$5,147.3
- **POSITIONS:** INDEPENDENT ENTITY

- **Violent Crimes Comp. Board (VCCB)**

- **AGENCY LEAD:** Kate Hudson
- **ROLE:** Grants to victims of violent crimes
- **FY2015 Management Plan:** \$2.536.8
- **General Funds** \$0.0
- **POSITIONS:** 3

- **Alaska Oil and Gas Conservation Commission (AOGCC)**

- **AGENCY LEAD:** Cathy Foerster
- **ROLE:** To protect the public interest in exploration and development of Alaska's valuable oil, gas, and geothermal resources
- **FY2015 Management Plan:** \$7,450.8
- **General Funds** \$0.0
- **POSITIONS:** 33

- **Alaska Public Offices Commission (APOC)**

- **AGENCY LEAD:** Paul Dauphinais
- **ROLE:** Campaign and public official oversight agency
- **FY2015 Management Plan:** \$1,515.2
- **General Funds** \$1,395.2
- **POSITIONS:** 14

DOA SERVICES TO STATE AGENCIES

- **Div. of General Services (DGS)**

- **AGENCY LEAD:** Tom Mayer
- **ROLE:** Manage 12 buildings in the Public Building Fund (PBF) and 6 non-PBF buildings, manage and administer 400+ leases, procurement and contract support for state and political subdivision purchasing
- **FY2015 Management Plan:** \$79,064.1
- **General Funds** \$3,439.8
- **POSITIONS:** 74

- **Enterprise Technology Services (ETS)**

- **AGENCY LEAD:** Jim Bates
- **ROLE:** Statewide IT infrastructure maintenance and operations (M&O), cyber security, and Telecommunication, network, mainframe service and technical support
- **FY2015 Management Plan:** \$50,006.5
- **General Funds** \$10,769.0
- **POSITIONS:** 122

- **Division of Personnel and Labor Relations (DOPLR)**

- **AGENCY LEAD:** Kate Sheehan
- **ROLE:** Centralized and managed HR, payroll timekeeping, recruitment and job classification studies, labor relations, contract bargaining, and training
- **FY2015 Management Plan:** \$19,759.7
- **General Funds** \$4,286.4
- **POSITIONS:** 150

- **Div. of Finance (DOF)**

- **AGENCY LEAD:** Scot Arehart
- **ROLE:** Maintain the statewide financial/payroll systems, as well as e-travel program, compile the Comprehensive Annual Finance Report (CAFR) and statewide single audit, lead on Integrated Resource Info. System (IRIS)
- **FY2015 Management Plan:** \$13,785.5
- **General Funds** \$6,236.5
- **POSITIONS:** 78

DOA SERVICES TO STATE AGENCIES

- **Division of Administrative Services (DAS)**

- **AGENCY LEAD:** Cheri Lowenstein
- **ROLE:** Provides budget, financial, and procurement services to DOA, oversees DOA Information Technology (IT), oversees VCCB staff and APBC grants
- **FY2015 Management Plan:** \$3,637.5
- **General Funds** \$848.8
- **POSITIONS:** 15

- **Division of Risk Management (DRM)**

- **AGENCY LEAD:** Scott Jordan
- **ROLE:** Manage insurance administration for State assets, indemnification language review, claims adjusting and litigation management, return to work program
- **FY2015 Management Plan:** \$41,239.6
- **General Funds** \$0.0
- **POSITIONS:** 5

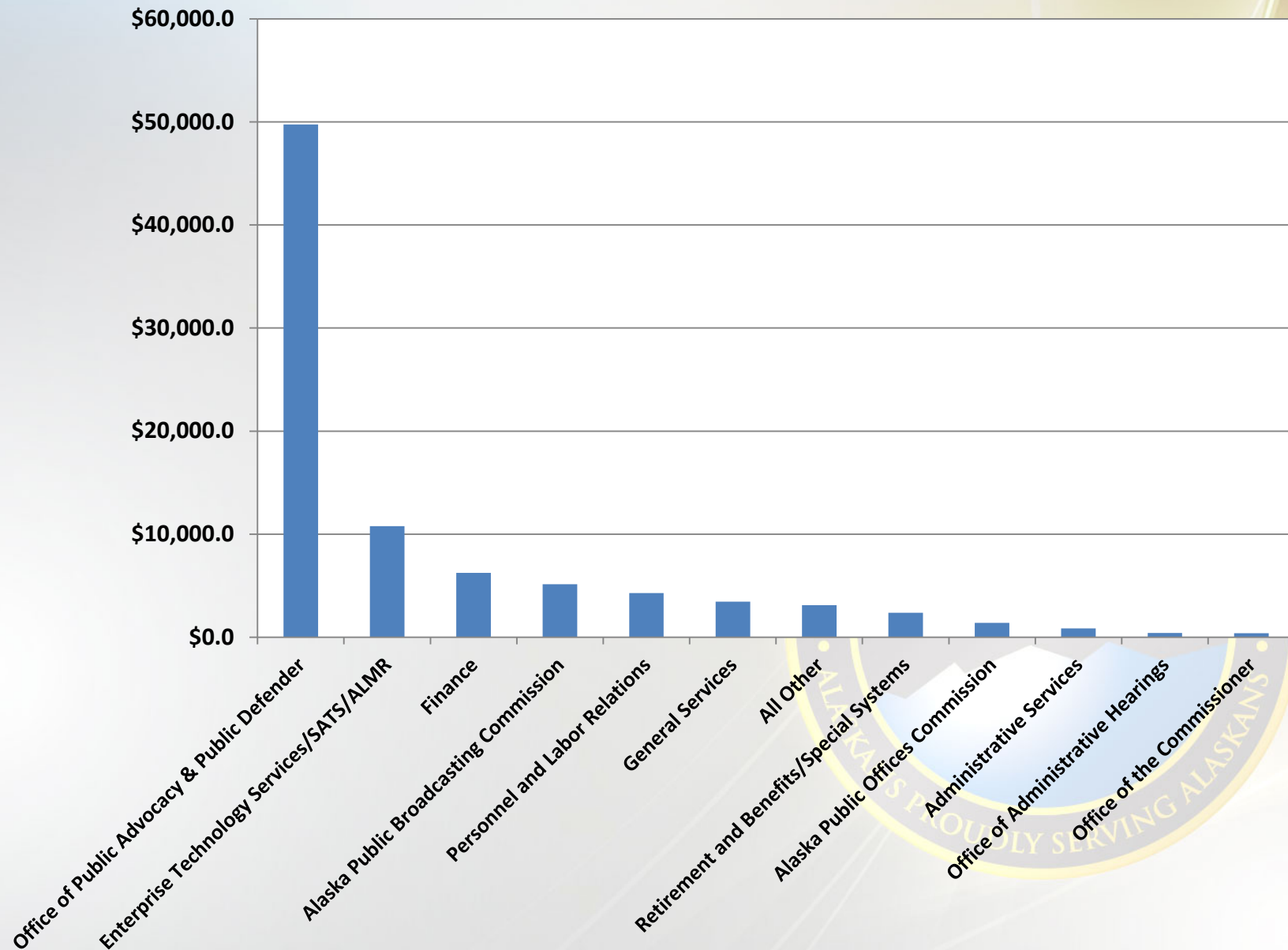
- **Office of Administrative Hearings**

- **AGENCY LEAD:** Kathleen Frederick
- **ROLE:** Appeal and adjudication services by Administrative Law Judges
- **FY2015 Management Plan:** \$2,773.3
- **General Funds** \$420.4
- **POSITIONS:** 15



DOA BUDGET BY DIVISION

(GENERAL FUND ONLY, FY15 MANAGEMENT PLAN, \$ IN THOUSANDS)



DOA: FY16 GOVERNOR'S AMENDED BUDGET

	UGF FY15 Management Plan	UGF Reduction	% Reduced
General Fund			
Enterprise Technology Services/SATS/ALMR	10,769.0	-3,238.7	-30.1%
General Services	3,439.8	-922.3	-26.8%
Alaska Public Broadcasting & Airres Grants	5,147.3	-835.2	-16.2%
Alaska Public Offices Commission	1,395.2	-193.5	-13.9%
DAS, CO, DOA-IT, Fac Rent, DOA Leases, Central HR	4,339.9	-596.0	-13.7%
Administrative Hearings	420.4	-49.9	-11.9%
Personnel, Labor Relations/Labor Agreements	4,286.4	-459.5	-10.7%
Finance / ETravel	6,236.5	-635.2	-10.2%
Retirement & Benefits / Special Systems*	2,377.0	-201.6	-8.5%
Public Defender	25,963.3	-438.5	-1.7%
Office of Public Advocacy	23,803.5	-35.9	-0.2%
<i>*includes an increase of \$100.0 for PCORI and Actuarial</i>			
Funded from Receipts			
Alaska Oil & Gas Conservation Commission	0.0	0.0	0.0%
Motor Vehicles	0.0	0.0	0.0%
Risk Management	0.0	0.0	0.0%
Violent Crimes Compensation Board	0.0	0.0	0.0%

CORE INITIATIVES AND CHALLENGES

Personnel Costs Savings

- Health Care Spend – continue to bend the cost curve
- Wage Negotiations – remain competitive and balanced
- Improve employee productivity

Reduction of Unfunded Liability – (health care costs)

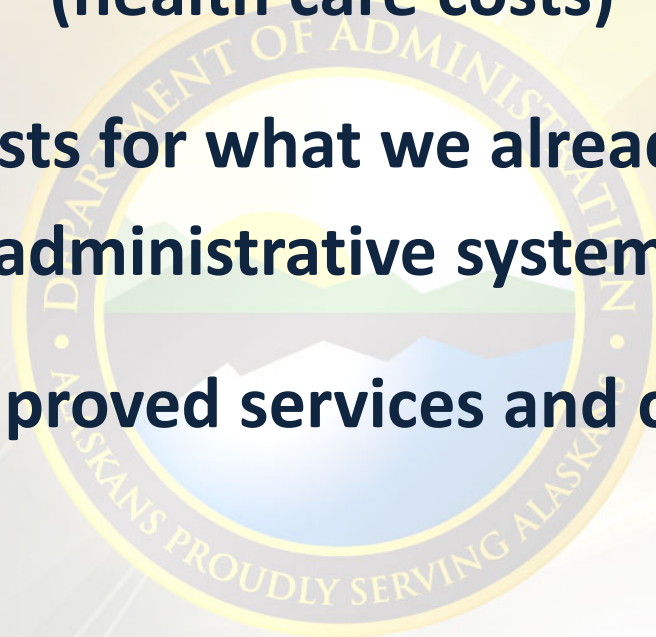
Procurement Savings – Lower costs for what we already buy

- IRIS - updated core statewide administrative systems

Information Technology (IT) – Improved services and cost

Improve Facility Management

- Utilization of Space – better use our space



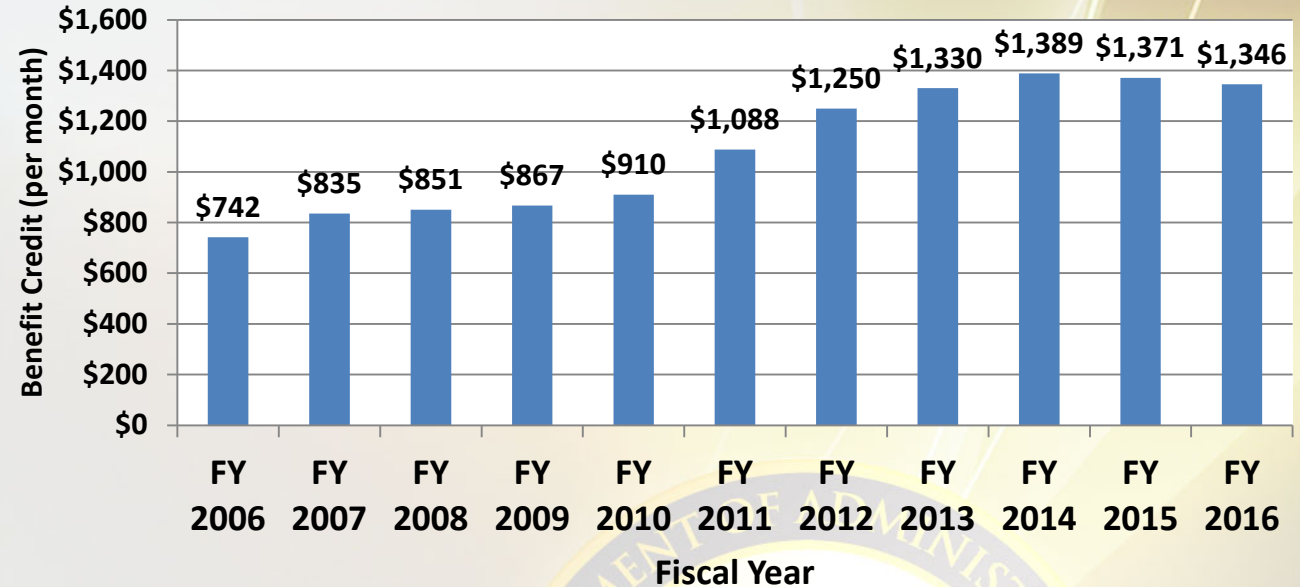
DOPLR - BARGAINING CONTRACTS

Contracts That Expire on June 30, 2014		Number of Employees
AVTECTA - Alaska Vocational Technical Teachers Association		35
IBU – Inlandboatmen’s Union of the Pacific		623
MEBA - Marine Engineers’ Beneficial Association		105
MMP - Masters, Mates and Pilots		98
PSEA - Public Safety Employees Association		515
Contracts That Expire on June 30, 2015		
ACOA - Alaska Correctional Officers Association		945
LTC - Public Employees, Local 71		1,819
TEAME – Teachers’ Education Association of Mt. Edgecumbe		27
Contracts That Expire on June 30, 2016		
ASEA - Alaska State Employees Association		9,000
APEA - Alaska Public Employees Association		2,281
CEA - Confidential Employees Association		210
Non-Covered - Exempt, Partially Exempt and Excluded.....		4,560

SOURCE: Bargaining Unit Profiles, collected June 30, 2014

DRB - MONTHLY HEALTH INSURANCE BENEFIT CREDIT

- Average annual growth of 7%
- Almost doubled in 10 years
- Increased effort to proactively manage costs
- **FY 2015 & FY 2016 -- beginning to bend the curve down**



AlaskaCare Health Care Plan – Cost Drivers

- Alaska's high health care costs
 - 2011 AK Health Care Commission: Alaska has highest annual average cost for employee health benefits in US
 - Alaska medical care inflation increasing at a greater rate than overall Alaska inflation.
(<http://laborstats.alaska.gov/col/col.pdf>)
- Anticipated 36% growth in retiree population between 2012 and 2023, peaking at near 60,000 retirees (not including dependents)
- Providers unwilling to join the AlaskaCare network
- New, expensive pharmaceuticals

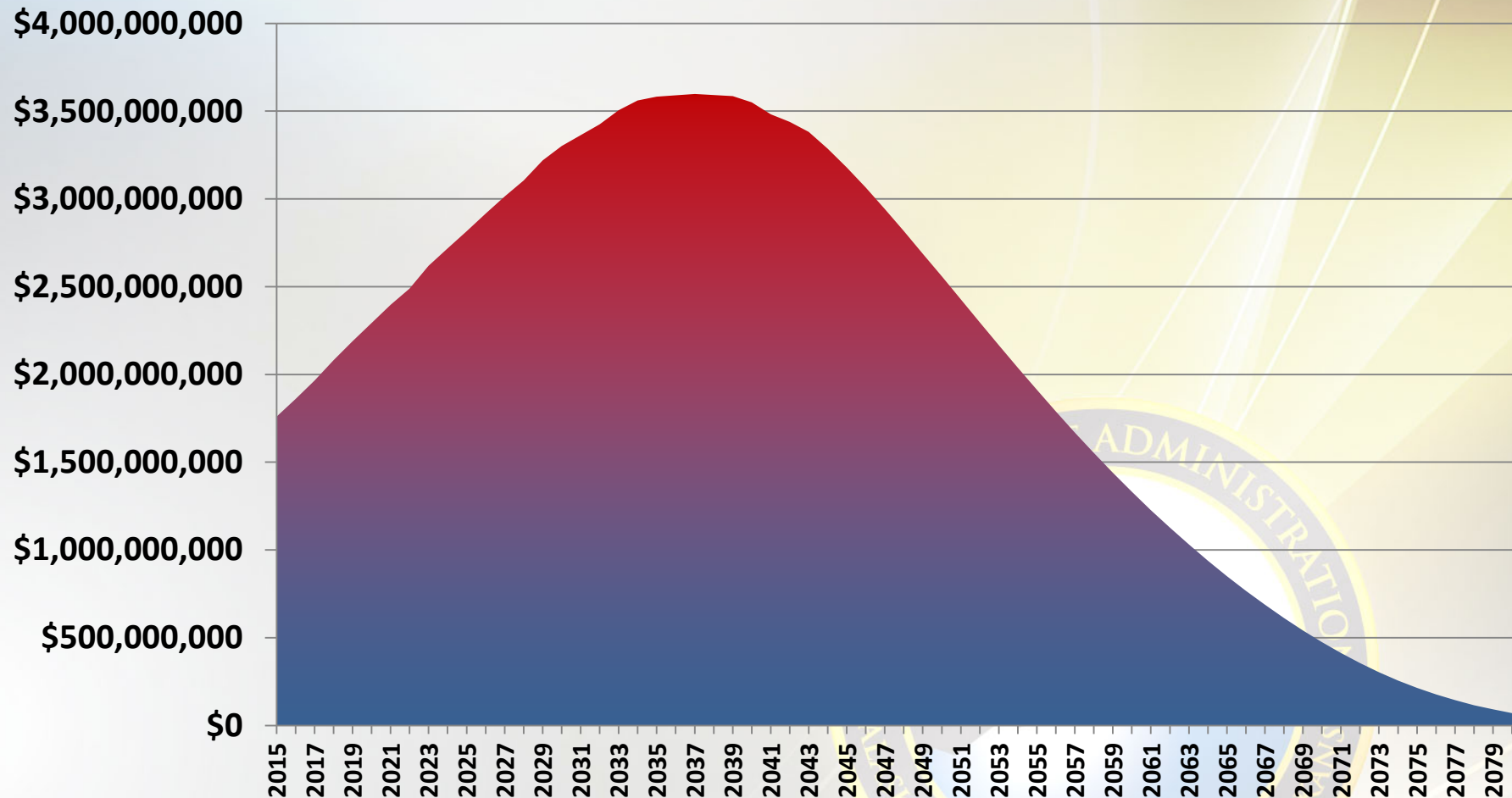
DRB - AETNA AND MODA



- AlaskaCare -- 84,000 covered lives (active + retiree)
- Yearly claim costs: \$656,929,369.92 *(FY14, paid through 6/30/14)*
- RFP split into 4 major components awarded 3 to Aetna and one to Moda
- New networks: proven savings in first year of \$44M
- Introduction of a dental network
- Use of data warehouse to inform plan decisions
- Single point of contact concierge team

Goal: high quality health care at sustainable and reasonable cost to the state and the employee

DRB - BENEFITS PERS/TRS



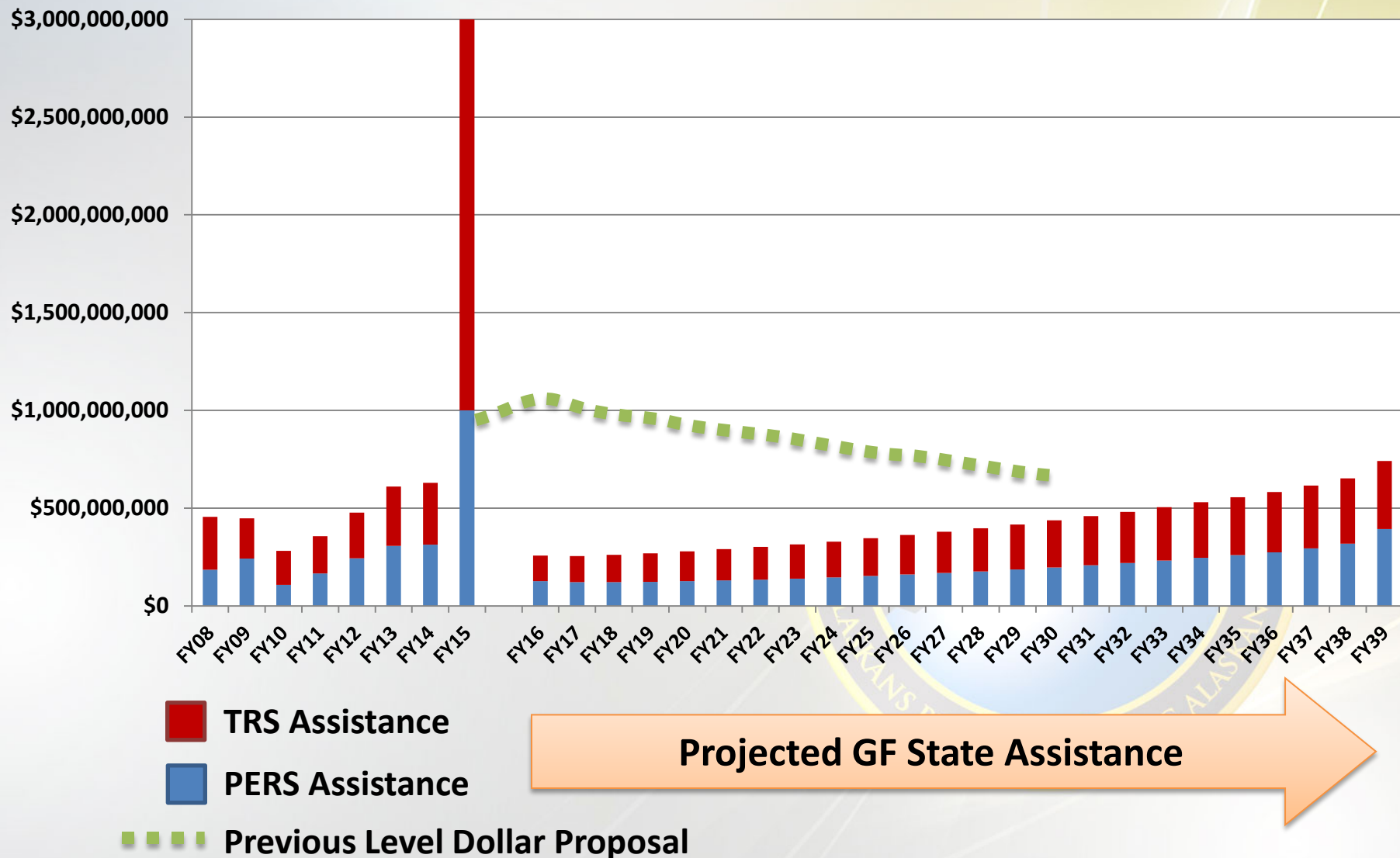
Pay **\$150 billion** in benefits payments over next 70 years

Current PERS/TRS account balance: **\$17.7 billion**

Unfunded Liability: approx **\$10.1 billion**

DRB - PERS/TRS STATE ASSISTANCE

PERS/TRS GF State Assistance (SB125 & HB 385)



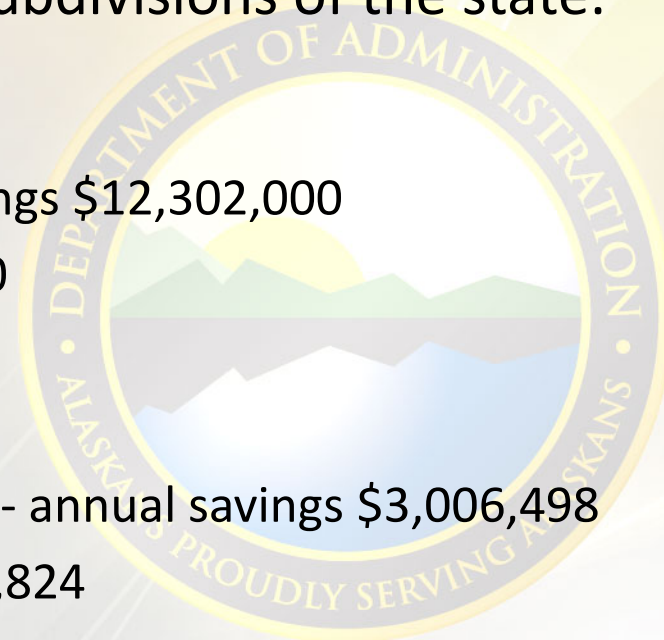
DGS - SAVINGS IN STATE PURCHASING

The Division of General Services (DGS) awards multi-department contracts for use by all Executive Branch agencies and various political subdivisions of the state.

The total estimated savings realized by DGS for FY14 is \$58,391,159, with \$41,682,489 being saved by state agencies and the remaining \$16,708,670 being saved by political subdivisions of the state.

Some examples of state savings:

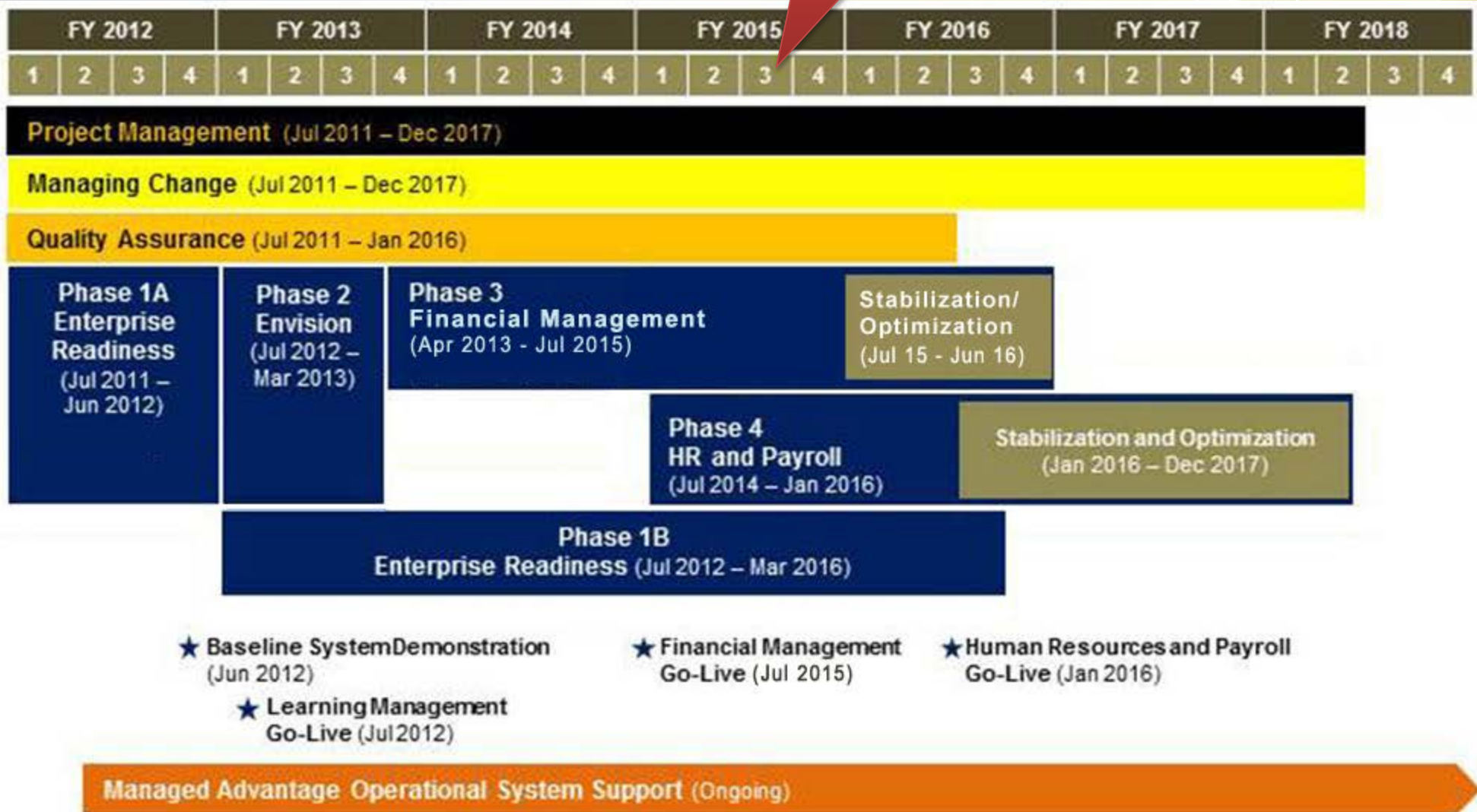
- PC Contracts (WSCA-NASPO) – annual savings \$12,302,000
- Office Supplies - annual savings \$6,024,460
- Travel - annual savings \$4,857,415
- Copiers - annual savings \$4,470,244
- Fuel: Heating, Diesel, Unleaded, Jet A, etc. - annual savings \$3,006,498
- Systems Furniture – annual savings \$5,267,824



DOF – IRIS SCHEDULE



*We are
currently
here...*



CENTRALIZATION VS. DECENTRALIZATION

Enterprise Procurement – Small Commodity Pooling *(future partial centralization)*

- Due to the amount of data that IRIS will be collecting on a statewide basis, DOA will be able to monitor and enforce enterprise-wide public procurement principles to ensure that like items are being combined into single orders and that mandatory contracts are used. Additionally, analysis of the data may show industries and commodities being purchased in individual agencies that would benefit from a single statewide contract.
- Automated workflows in IRIS should increase the efficiency of the procurement process by automatically moving a purchase request – or requisition process (RQS) in IRIS - through the various approval levels, reducing the per-transaction cost by an amount to be determined. Historically, a paper-based purchase request can cost up to \$200 to process.
- Over time, protests related to bids or proposals received after the deadline may be reduced due to the nature of submitting online. Because IRIS simply disallows a late bid or proposal from being uploaded, this should mitigate questions regarding timestamps, whether a bid or proposal was mishandled by the state, and so on.
- **FOR EXAMPLE:** Small payments under \$50,000 outnumber large payments by nearly 1,000 to 1 and make up ~\$200 million annually. The accounting codes indicate that about 80% of these payments are for office needs and industrial hardware.

ETS – SERVICE AND IT COST ISSUES

Meaningful dissatisfaction in both the centralized (ETS) function and the decentralized department-centric function.

- Total IT spend ~\$218M
- ETS spend \$38M

State agencies work toward IT solutions in a siloed, department-centric IT culture that resulting in inconsistent standards, duplication of effort and sub-optimal results. Cost savings and strategic planning are very difficult to fully realize.

- IT Governance continues to be an issue
- ETS cost centers increasingly at odds with budget climate
- Siloed approach to IT across enterprise increases costs such as mainframe issues:
 - Customers leaving mainframe to hosted solutions, cost shift (i.e. database licensing to fewer agencies)

CENTRALIZATION VS. DECENTRALIZATION

Information Technology (IT) – Collocating Data Centers (*future centralization*)

- DOA is currently crafting a 5-Year Statewide IT Plan requested by legislative intent language in HB 266 during the 2014 legislative session.
- Centralize
 - Commodity services while keeping expertise in the business units.
 - Drive efficiencies in planning and implementation (no need to re-invent the wheel in each department), purchasing and service delivery.
 - Keep critical knowledge base in the business unit to ensure service delivery is efficiently maintained.
- **FOR EXAMPLE:** Enterprise Technology Services (ETS) has identified 180+ servers “closets” or isolated, small scale data centers in silos around the state.
- Each of these locations require their own utilities (cooling and electric), hardware refresh on an annual cycle, disaster recovery, backup power, ongoing maintenance, and staffing.
- Collocating and centralizing state servers to common data centers, were appropriate in urban and rural centers, can save agencies and the state through economy of scale.
- The challenge will be reasonable agency access and service level agreements that provide for joint coordination, communication and successful program delivery.

DGS – BUILDING PORTFOLIO

BUILDING	LOCATION	AGENCY	S.F.
State Office Building & Parking Structure	Juneau	Multiple	287,850
Alaska Office Building	Juneau	H&SS	57,660
Public Safety Building	Juneau	DPS, H&SS, DOA	20,000
Douglas Island Building	Juneau	F&G, DOC	41,980
Community Building	Juneau	DCCED, H&SS	22,400
Court Plaza Building & Parking Structure	Juneau	Multiple	40,128
Dimond Courthouse Building	Juneau	LAW, Courts, DPS	77,000
3rd Floor Capitol Building	Juneau	GOV	22,720
AK State Museum & Annex	Juneau	DEED	29,420
Archives & Records Building	Juneau	DEED	10,850
Governor's House	Juneau	GOV	14,400
Fairbanks Regional Office Building	Fairbanks	Multiple	92,942
Robert B Atwood Building	Anchorage	Multiple	338,000
Linny Pacillo Parking Garage & Office	Anchorage	Multiple	369,000
Palmer State Office Building	Palmer	Multiple	81,525
Nome State Office Building	Nome	Multiple	16,600
Geological Materials Center Building	Anchorage	DNR	100,908
		TOTAL	1,623,383

DGS - UNIVERSAL SPACE STANDARDS (USS)

An evaluation of the space standards -- what's working and what's not working, where there are cost savings and not -- will be conducted by the new administration before further implementation in state offices occur.

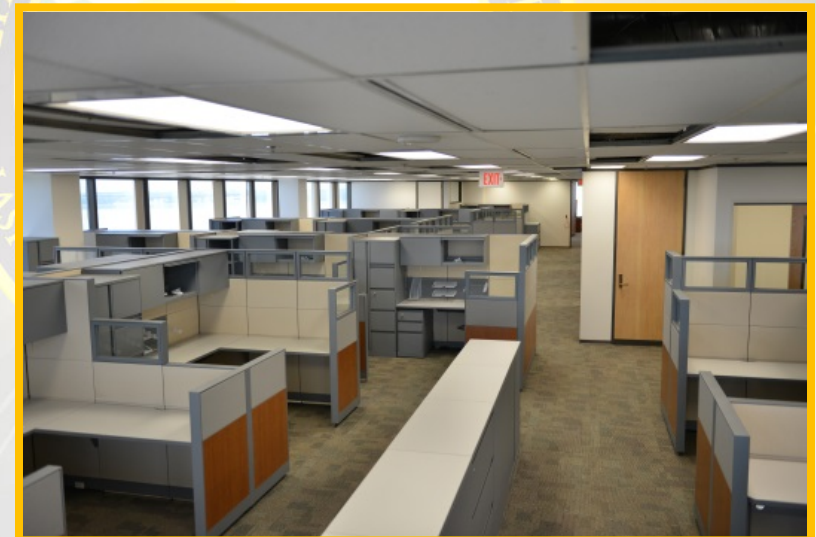
PURPOSE OF SPACE STANDARDS

- Through the Western States Contracting Alliance (WSCA) contract the state saves significantly on systems furniture
- New space is designed for teamwork and collaboration among “neighborhoods”
- Natural light for everyone with private offices moved toward the core of buildings
- Shared printers, scanners and copiers reduce the cost of individual units
- Employees can move from one office to another and have the same working experience in any department or agency
- Clean desk policy addresses need for document privacy in agencies



Before New Standards

After New Standards



Thank you!

Visit www.DOA.alaska.gov

for more information about our department.

Questions?

