

ALASKA DEPARTMENT OF ADMINISTRATION

DEPARTMENT OVERVIEW

Presentation to

**Senate Finance
Subcommittee**

January 21, 2016

Commissioner Sheldon Fisher

Deputy Commissioner Leslie Ridle

Deputy Commissioner John Boucher

Director Cheri Lowenstein



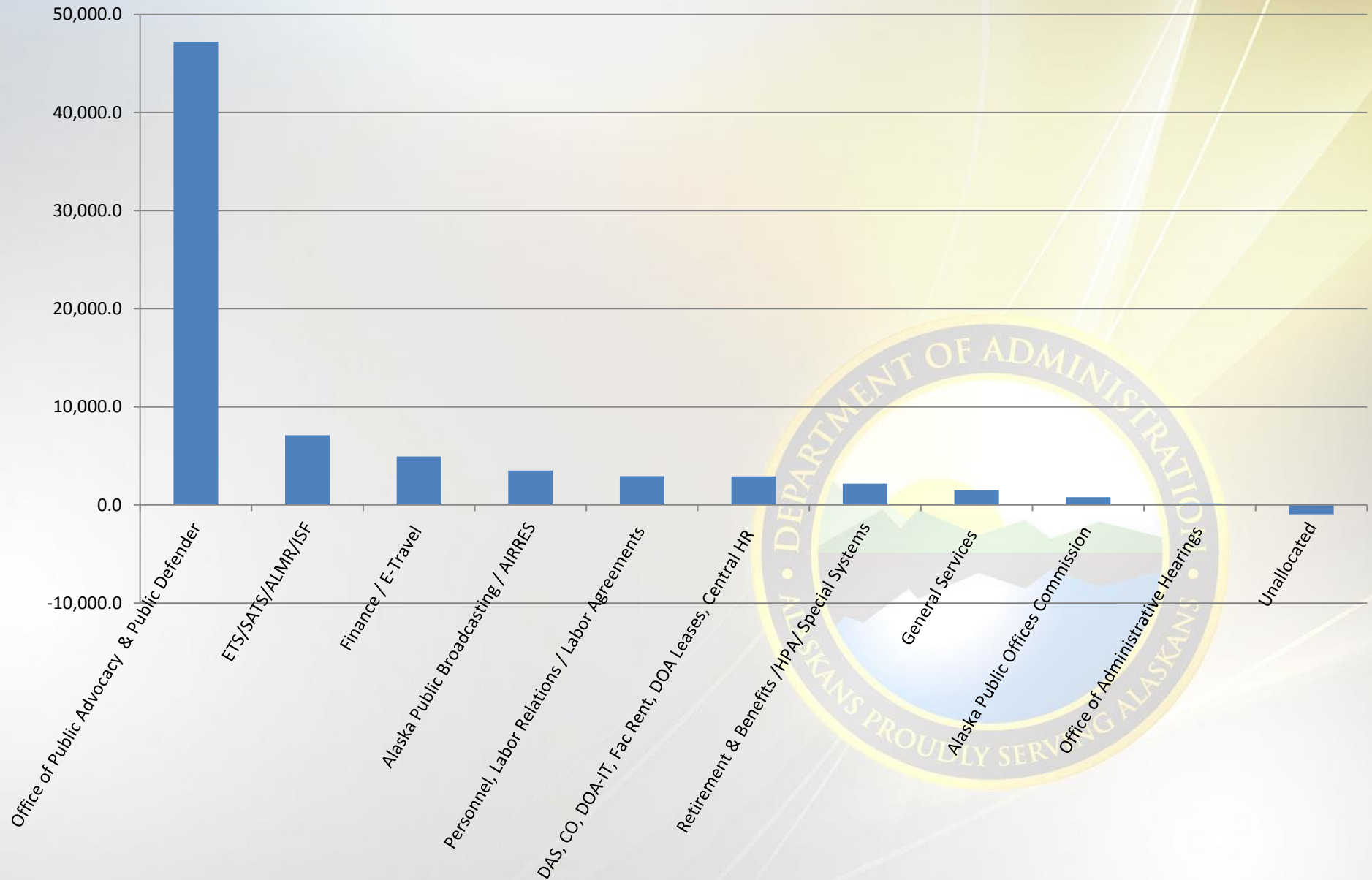
DOA MISSION AND ORGANIZATION

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.



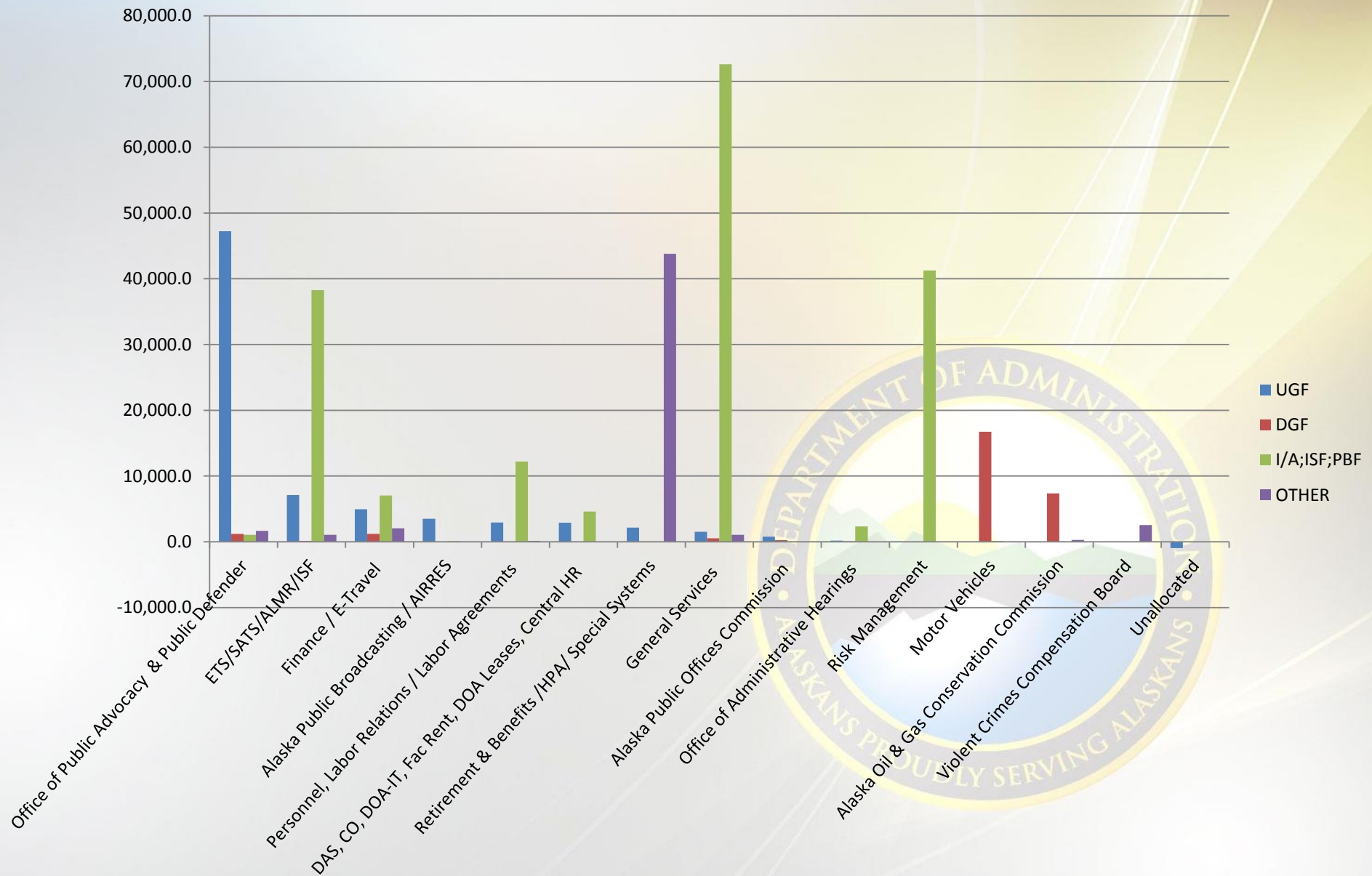
DOA BUDGET BY DIVISION

(UNDESIGNATED GENERAL FUND ONLY, FY17 GOVERNOR BUDGET, THOUSANDS)



DOA BUDGET BY DIVISION

(ALL FUNDS, FY17 GOVERNOR, THOUSANDS)



DOA BUDGET REDUCTIONS BY COMPONENT

(UNDESIGNATED GENERAL FUND ONLY)

Administration	FY15 Management Plan	FY16 Management Plan	FY17 Governor	% Change
Non-Formula without OPA / PD				
Office of Administrative Hearings	420.4	265.2	155.2	-63%
General Services	3,439.8	1,822.1	1,501.6	-56%
Alaska Public Offices Commission	1,395.2	790.5	790.5	-43%
ETS/SATS/ALMR	10,769.0	7,542.6	7,113.8	-34%
DAS, CO, DOA-IT, Fac Rent, DOA Leases, Central HR	4,339.9	2,919.9	2,904.1	-33%
Alaska Public Broadcasting / AIRRES	5,147.3	4,331.1	3,510.5	-32%
Personnel, Labor Relations / Labor Agreements	4,286.4	3,898.5	2,938.3	-31%
Finance / E-Travel	6,236.5	6,339.0	4,951.0	-21%
Retirement & Benefits	228.9	249.0	241.5	-2.5%
Total	\$36,263.4	\$28,157.9	\$24,106.5	-34%
Life-Health-Safety Budgets				
Office of Public Advocacy	23,803.5	23,637.5	22,997.3	-3%
Public Defender	25,963.3	25,481.8	24,210.5	-6.8%
Total	\$49,766.8	\$49,119.3	\$47,207.8	-5.1%
Formula Program				
Special Systems	2,148.1	2,063.3	1,925.1	-10%
Unallocated Reduction	0.0	0.0	- 957.1	
Total Department Operating	\$88,178.3	\$79,303.5	\$72,282.3	-18%

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.
 - **FY2017 Governor budget:** \$25,725.0
 - **Undesignated General Funds** \$24,210.5
 - **Designated General Funds** \$823.7
 - **InterAgency Funds** \$497.0
 - **Other Funds Includes Fed** \$193.8
 - **POSITIONS:** PFT 174; PPT 1; NP 12
- **Div. of Motor Vehicles (DMV)**
 - **AGENCY LEAD:** Amy Erickson
 - **ROLE:** Title and registration of vehicles/trailers, driver testing and licensing, and Commercial driver licensing
 - **FY2017 Governor Budget:** \$16,882.4
 - **Undesignated General Funds** \$0.0
 - **Designated General Funds** \$16,731.1
 - **InterAgency Funds** \$151.3
 - **Other Funds Includes Fed** \$0.0
 - **POSITIONS:** PFT 148; PPT 8; NP 0
- **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
 - **FY2017 Governor Budget:** \$25,423.6
 - **Undesignated General Funds** \$22,997.3
 - **Designated General Funds** \$380.7
 - **InterAgency Funds** \$572.3
 - **Other Funds Includes Fed** \$1,473.3
 - **POSITIONS:** PFT 127; PPT 2; NP 11
- **Div. of Retirement and Benefits (DRB)
Including Special Systems & Health Plan Admin**
 - **AGENCY LEADS:** Jim Puckett, Kathy Lea, Michele Michaud, and Keven Worley
 - **ROLE:** State employee, teacher, and political subdivision retirement plan administration, Health plan administration
 - **FY2017 Governor Budget:** \$45,957.4
 - **Undesignated General Funds** \$2,166.6
 - **Designated General Funds** \$0.0
 - **InterAgency Funds** \$0.0
 - **Other Funds Includes Fed** \$43,790.8
 - **POSITIONS:** PFT 115; PPT 0; NP 5

DOA SERVICES TO THE PUBLIC

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

Includes Alaska Rural Communications Services

- **AGENCY LEAD:** Jamie Waste
- **ROLE:** Grants and administration of public television and radio to all parts of Alaska
- **FY2017 Governor Budget:** : \$3,610.5
- **Undesignated General Funds** \$3,510.5
- **Designated General Funds** \$0.0
- **InterAgency Funds** \$100.0
- **Other Funds Includes Fed** \$0.0
- **POSITIONS:** INDEPENDENT ENTITY

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

- **AGENCY LEAD:** Kate Hudson
- **ROLE:** Grants to victims of violent crimes
- **FY2017 Governor Budget:** \$2,544.2
- **Undesignated General Funds** \$0.0
- **Designated General Funds** \$0.0
- **InterAgency Funds** \$0.0
- **Other Funds Includes Fed** \$2,544.2
- **POSITIONS:** PFT 3; PPT 0; NP 0

- **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
- **FY2017 Governor Budget:** \$7,661.7
- **Undesignated General Funds** \$0.0
- **Designated General Funds** \$7367.6
- **InterAgency Funds** \$0.0
- **Other Funds Includes Fed** \$294.1
- **POSITIONS:** PFT 32; PPT 0; NP 1

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

- **AGENCY LEAD:** Paul Dauphinais
- **ROLE:** Campaign and public official oversight agency
- **FY2017 Governor Budget:** \$1,030.5
- **Undesignated General Funds** \$790.5
- **Designated General Funds** \$240.0
- **InterAgency Funds** \$0.0
- **Other Funds Includes Fed** \$0.0
- **POSITIONS:** PFT 12; PPT 1; NP 0

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 & administer 400+ leases, procurement & contract support for state and political subdivision purchasing
- **FY2017 Governor Budget:** \$75,711.2
- **Undesignated General Funds** \$1,501.6
- **Designated General Funds** \$536.6
- **InterAgency Funds** \$55,607.4
- **Other Funds Includes Fed** \$18,065.6
- **POSITIONS:** 7PFT 66; PPT 3; NP 0

• Enterprise Technology Services (ETS)

Including State of Alaska Telecommunications System and Alaska Land Mobile Radio

- **AGENCY LEAD:** Jim Bates
- **ROLE:** Statewide IT infrastructure maintenance and operations (M&O), cyber security, and Telecommunication, network, mainframe service and technical support
- **FY2017 Governor Budget:** \$46,533.0
- **Undesignated General Funds** \$7,113.8
- **Designated General Funds** \$150.0
- **InterAgency Funds** \$0.0
- **Other Funds Includes Fed** \$39,269.2
- **POSITIONS:** PFT 123; PPT 0; NP 0

• Division of Personnel and Labor Relations (DOPLR)

- **AGENCY LEAD:** Kate Sheehan
- **ROLE:** Managed central HR, payroll timekeeping, recruitment and job classification studies, labor relations, contract bargaining, and training
- **FY2017 Governor Budget:** \$15,209.5
- **Undesignated General Funds** \$2,888.3
- **Designated General Funds** \$0.0
- **InterAgency Funds** \$12,201.4
- **Other Funds Includes Fed** \$119.8
- **POSITIONS:** PFT 131; PPT 4; NP 2

• Division 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)

- **FY2017 Governor Budget:** \$15,227.0
- **Undesignated General Funds** \$4,951.0
- **Designated General Funds** \$1,198.1
- **InterAgency Funds** \$7,018.4
- **Other Funds Includes Fed** \$2,059.5
- **POSITIONS:** PFT 62; PPT 0; NP 6

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
- **FY2017 Governor Budget:** \$2,864.5
- **Undesignated General Funds** \$626.9
- **Designated General Funds** \$0.0
- **InterAgency Funds** \$2,237.6
- **Other Funds Includes Fed** \$0.0
- **POSITIONS:** 15

• Office of Administrative Hearings

- **AGENCY LEAD:** Kathleen Frederick
- **ROLE:** Appeal and adjudication services by Administrative Law Judges
- **FY2017 Governor Budget:** \$2,545.5
- **Undesignated General Funds** \$155.2
- **Designated General Funds** \$50.0
- **InterAgency Funds** \$2,340.3
- **Other Funds Includes Fed** \$0.0
- **POSITIONS:** 16

• 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:** \$41,254.4
- **Undesignated General Funds** \$0.0
- **Designated General Funds** \$0.0
- **InterAgency Funds** \$41,254.4
- **Other Funds Includes Fed** \$0.0
- **POSITIONS:** 5



CORE INITIATIVES AND CHALLENGES

Labor Negotiations - Remain competitive and balanced

Health Care Spend - Continue to bend the cost curve

Shared Services

- Improve employee productivity
- Achieve Purchasing Efficiency
- Information Technology (IT) – Improved services and cost

Improve Facility Management

- Utilization of Space – better use of our space



LABOR NEGOTIATIONS



BARGAINING UNIT (BU) DETAIL

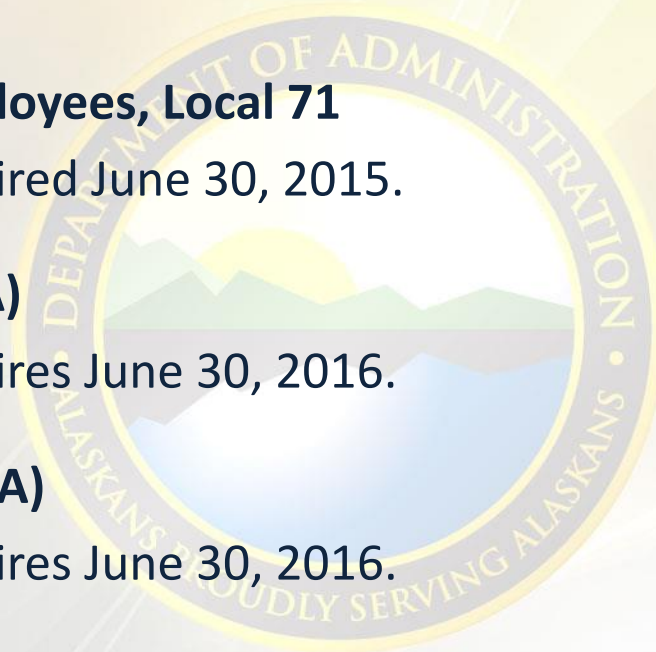
Bargaining Unit	Business Lead	# Emp in 2015	% of Total
Currently Negotiating			
LTC - Public Employees, Local 71	Dennis Moen	1,654	10.5%
ASEA - Alaska State Employees Association	Jim Duncan	8,125	51.3%
APEA - Alaska Public Employees Association	Pete Ford	2,304	14.6%
CEA - Confidential Employees Association	Pete Ford	182	1.2%
Non-Covered			
Non-Covered - Exempt, Partially Exempt and Excluded		1,300	8.2%
TOTAL EMPLOYEES AT ISSUE IN CURRENT NEGOTIATIONS		13,592	86%
Reached Tentative Agreement			
TEAME – Teachers’ Education Assoc. of Mt. Edgecumbe	Christy Anderson	27	0.2%
Fall 2016 Negotiations			3.2%
AVTECTA - AK Vocational Technical Center Teachers	Dale Butts	33	0.2%
PSEA - Public Safety Employees Association	Jake Metcalfe	480	3.0%
Fall 2017 Negotiations			4.8%
IBU – Inlandboatmens’ Union of the Pacific	Joshua Stephenson	565	3.6%
MEBA - Marine Engineers Beneficial Association	Ben Goldrich	92	0.6%
MMP - Masters, Mates and Pilots	Shannon Adamson	96	0.6%
Fall 2019 Negotiations			5.9%
ACOA - Alaska Correctional Officers Association	Brad Wilson	941	5.9%
GRAND TOTAL		15,826	100%

86% of State employees are impacted by current round of negotiations

* # of Employees based on filled positions, not total positions w/vacancies

DOPLR – CURRENT STATUS OF CONTRACTS

- **Marine Engineers' Beneficial Association (MEBA)**
 - Reached tentative agreement July 2014 for cost of living adjustment (COLA) of 0% in 2014, 1% in 2015, and 2% in 2016. Legislature approved contract in 2015. MEBA has yet to send contract to members for a vote. Mediation is pending.
- **Teachers' Education Association of Mt. Edgecumbe (TEAME)**
 - Reached tentative agreement in December 2015 for cost of living adjustment (COLA) of 0% in 2016 and 0% in 2017.
- **Labor Trades and Crafts (LTC) - Public Employees, Local 71**
 - Currently in negotiations. Contract expired June 30, 2015.
- **Alaska State Employees Association (ASEA)**
 - Currently in negotiations. Contract expires June 30, 2016.
- **Alaska Public Employees Association (APEA)**
 - Currently in negotiations. Contract expires June 30, 2016.
- **Confidential Employees Association (CEA)**
 - Currently in negotiations. Contract expires June, 2016.

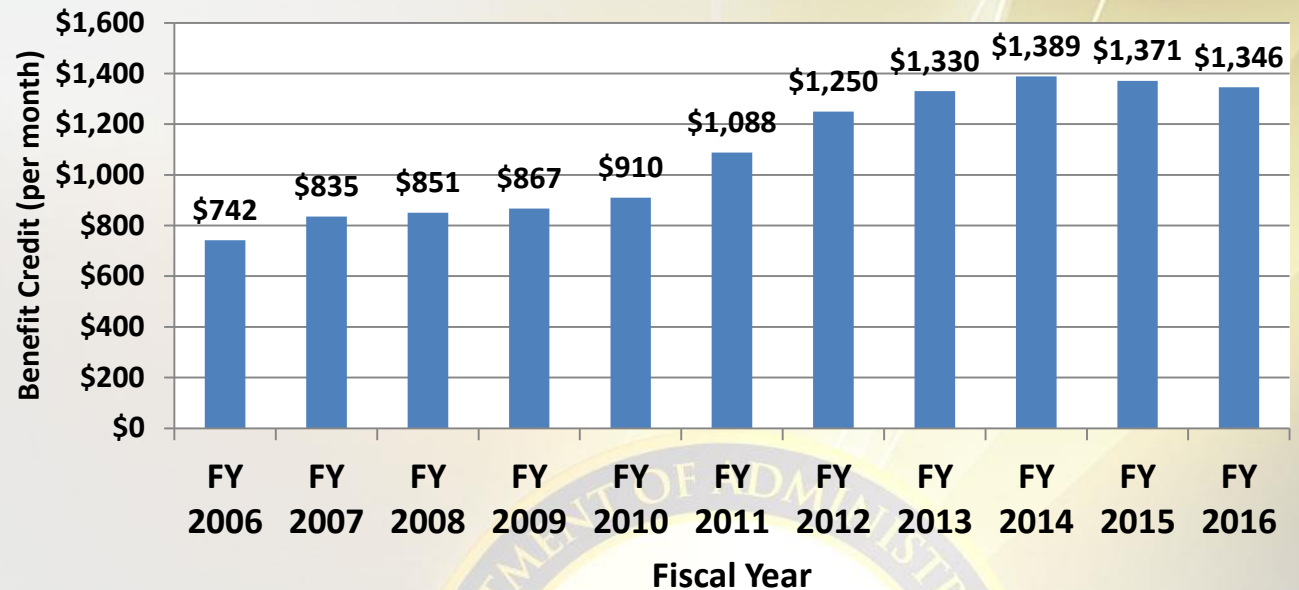


HEALTHCARE SPENDING



STATUS OF ALASKACARE HEALTH PLAN

- Five year effort to proactively manage costs
- FY15 saw dip in costs due to third party administrator change
- Future rates need to increase unless there are substantial plan design changes



AlaskaCare

- 5 year cost trend (FY11 – FY15): 6.27%
- FY15 reserves: \$31 million (2.9 months of reserves)
- Plan has reserve deficit
 - State has been trending rates lower (\$1389 in FY14 to \$1346 in FY16)
 - Rates set too low for FY16

MITIGATION MEASURES

1. Audit dependents

- AlaskaCare will be auditing dependents in first quarter of 2016
- Last one done in 2005
- We are expecting to find ineligible dependents that are costing the plan

2. Negotiate better rates with providers

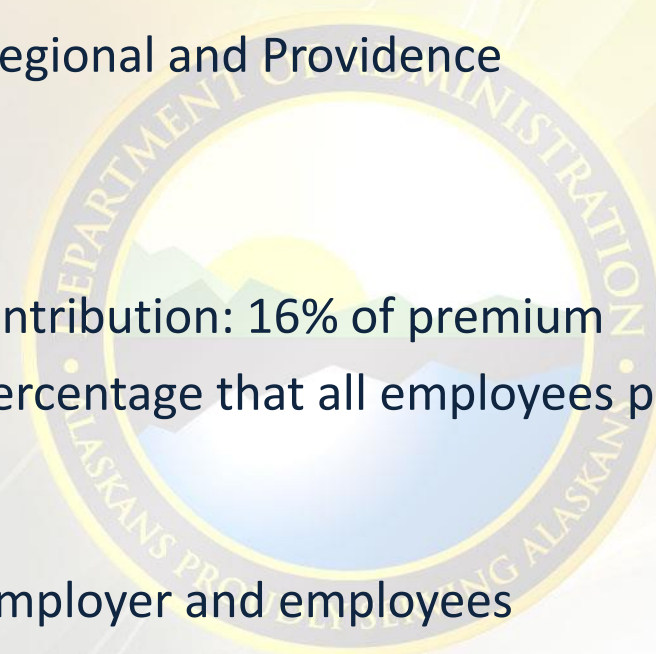
- Currently in negotiations with Alaska Regional and Providence

3. Employee Contributions

- Nationwide state employee average contribution: 16% of premium
- Alaska should work toward standard percentage that all employees pay

4. Plan Design

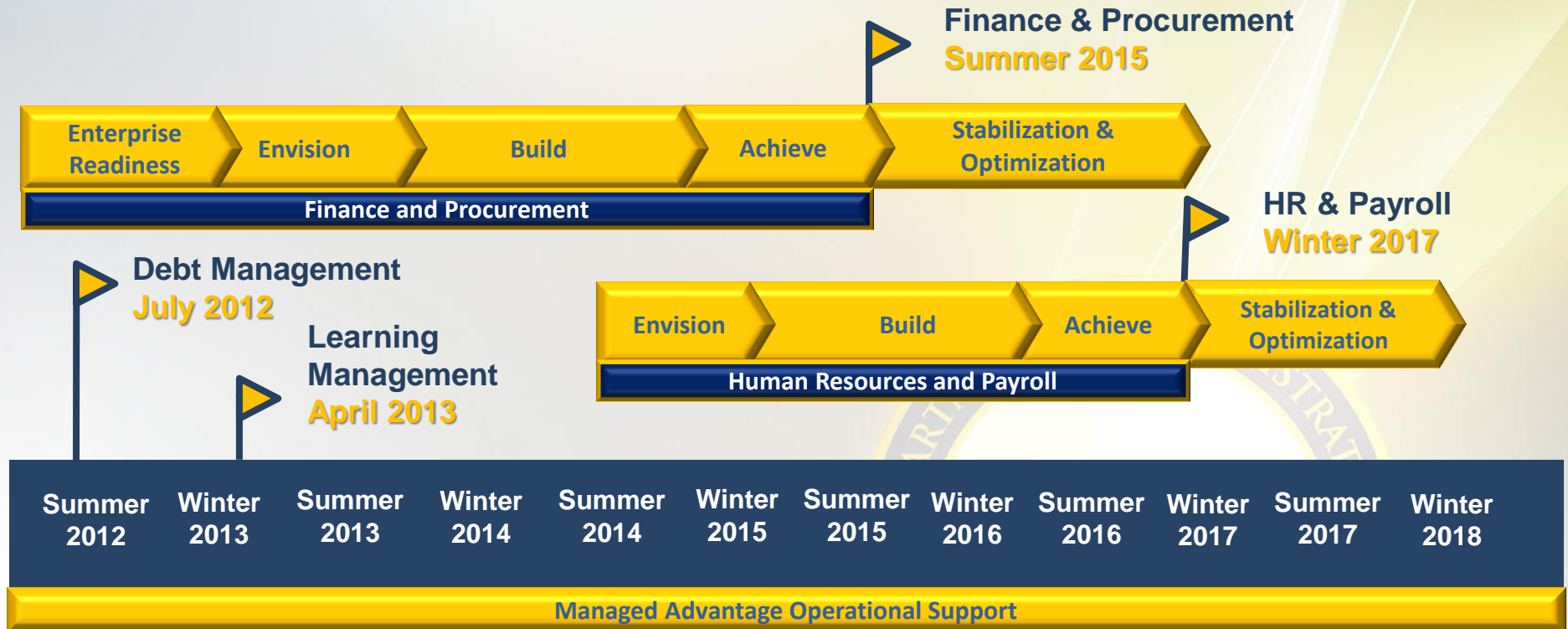
- As premiums get more expensive for employer and employees
 - Adopt more affordable plan designs
 - Standard size deductibles, i.e., \$1000+



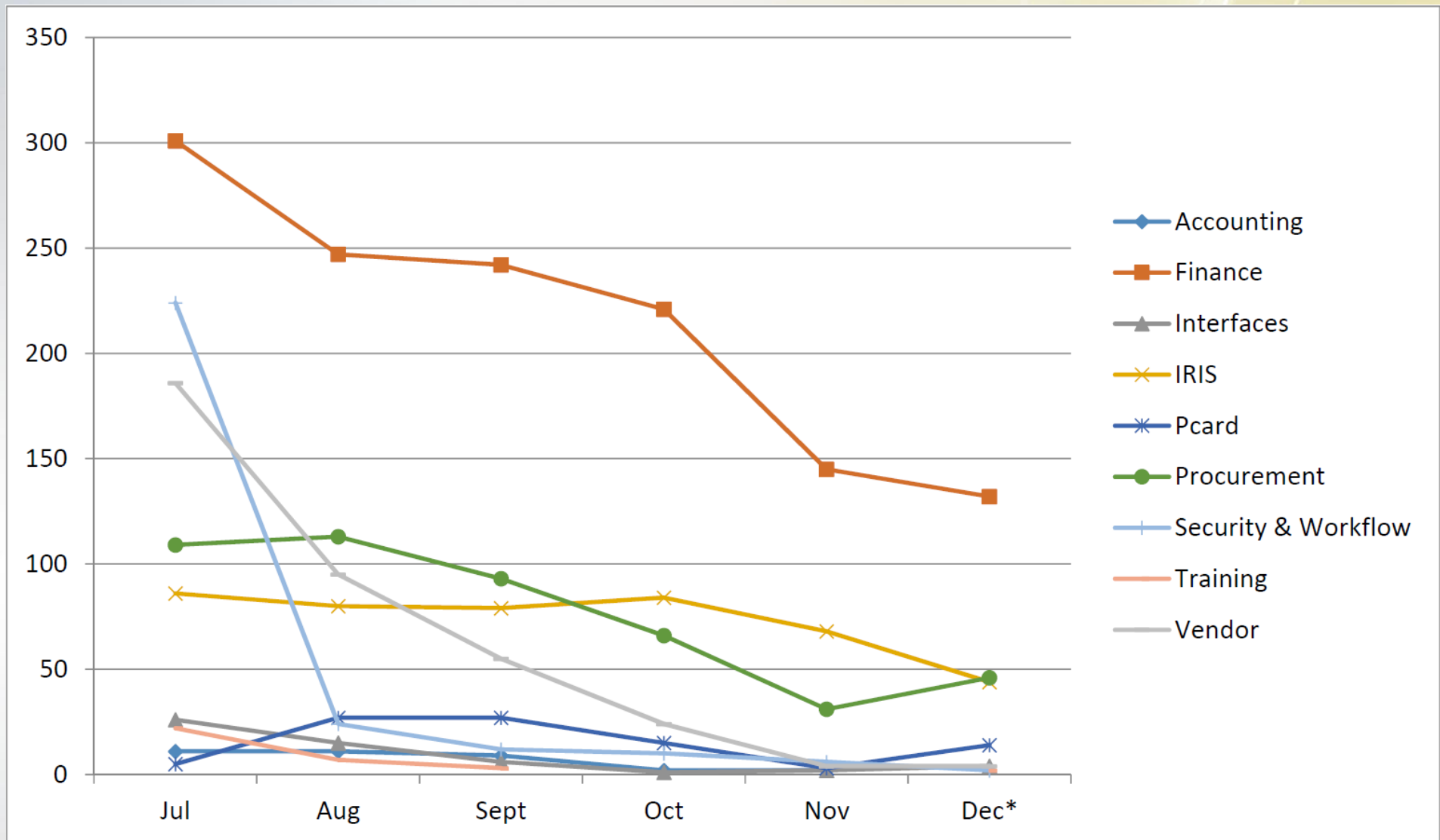
SHARED SERVICES



BUSINESS PROCESSES: IRIS PROJECT TIMELINE



HELP DESK OPEN INCIDENTS



POST GO-LIVE CHALLENGES



Post Go-Live Priorities

- Manage help desk incidents – provide 1:1 assistance and release training updates as appropriate
- New interface(s) to support critical agency needs
- Implement cost allocation functionality
- Personal Services and labor distribution validation
- Alaska Data Enterprise Reporting (ALDER) – grow available enterprise reports
- Support upcoming audit of IRIS

Software Defects

- 5 Urgent Priority and 18 High Priority

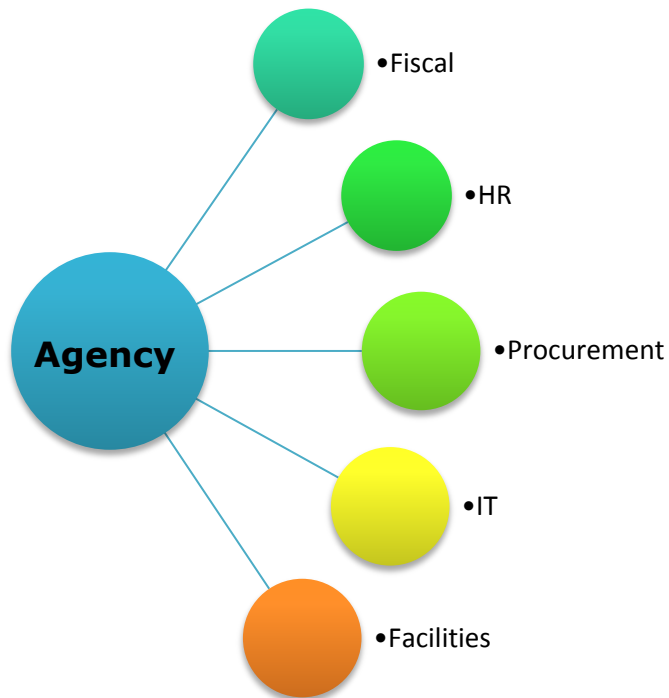
E-Commerce (Punch Out)

- Vendor catalog integration – Granger and Fastenal
- Department of Transportation and Public Facilities pilot February 2016



CURRENT STATE: DECENTRALIZED

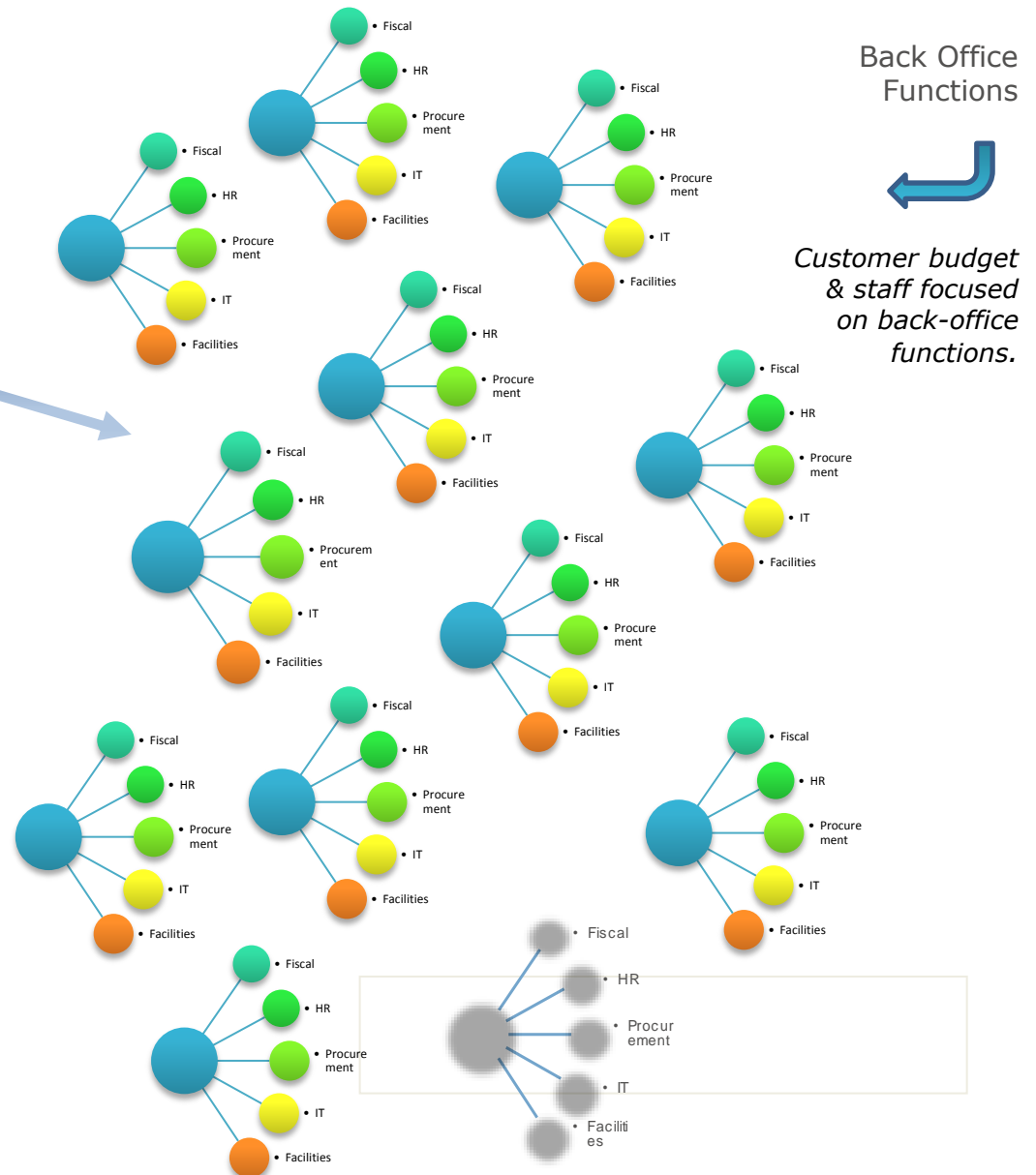
*Redundant staff & budget
for common administrative
tasks.*



Mission Critical Topics



Customer budget & staff focused on mission critical topics.

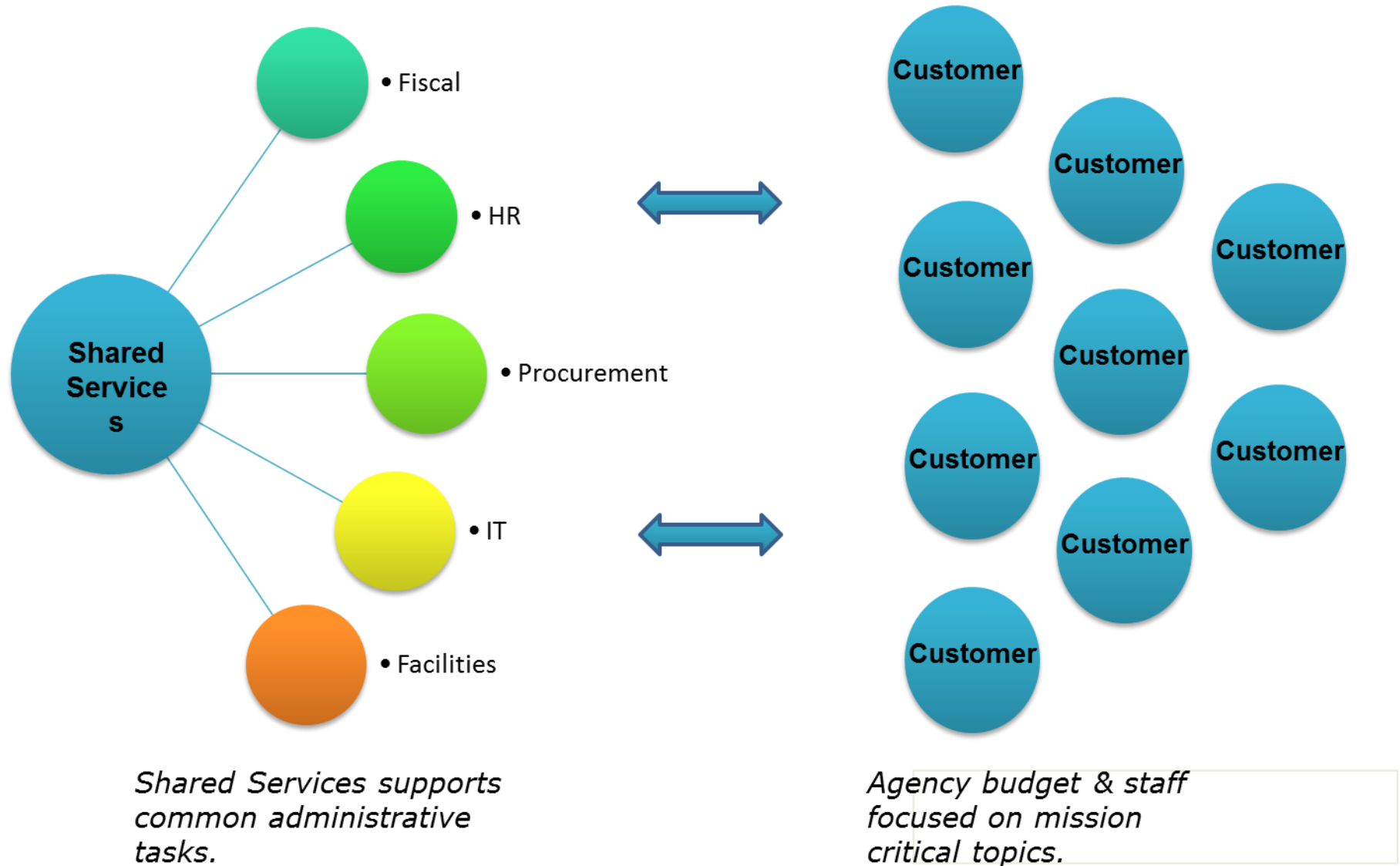


Back Office Functions



*Customer budget
& staff focused
on back-office
functions.*

FUTURE STATE: SHARED SERVICES



SHARED SERVICES—FOCUSING ON IMPROVEMENT, METRICS, SAVINGS, AND CLIENT SATISFACTION

Decentralized Model

- Federated support model of varying processes & systems within the agencies
- Focus on responsiveness and customer service

Centralized Model 5% - 15% Savings

- Processes and systems consolidated into a single cost center
- Standardized processes with a single technology platform

Shared Services Model 30% Savings / 50% Hybrid

- Centralized, standardized, simplified
- Profit center driven to create efficient service delivery & meet customer needs
- Focus on continuous improvement, metrics, service level agreements, client satisfaction

Better, Faster, Cheaper

ETS – SERVICE AND IT COST ISSUES

Current IT service delivery: Hybrid model based on a centralized (ETS) function and a decentralized department-centric IT function.

Current state: Agencies work toward IT solutions in a department-centric IT culture that results in inconsistent application of best-practice standards, duplication of effort and sub-optimal results. Enterprise cost savings and strategic planning are very difficult to fully realize.

Future state: In FY15 DOA began executing a multi-year, comprehensive plan aimed at consolidating statewide technology services including IT Procurement, IT Support, IT Contractual Services and other supporting IT services managed and performed by Executive Branch State employees.

IT CONSOLIDATION: CROSS-AGENCY IT PROJECTS

Working with the agency IT groups, ETS and the office of the CIO identified four cross-agency IT initiatives deemed most likely to deliver short and long term savings to the State. Those projects include:

1. **Rural Bandwidth Initiative**: An effort to reduce costs and provide improved services to rural Alaska, the State has begun the deployment of a secure, feature-rich, private and State-managed network service that makes use of consumer broadband infrastructure to deliver quicker network services at speeds 400 times faster than previously available. Estimated savings: \$800,000 at full deployment.
2. **Mainframe Assessment**: Led by ETS, the State engaged a contractor to assess and analyze the available options for its mainframe services. Recently the contractor delivered a recommended roadmap that could provide estimated savings in FY17 of \$400,000 with a potential \$1.5 million in savings from FY16 costs over 4 years

IT CONSOLIDATION: CROSS-AGENCY IT PROJECTS

3. **Office 365:** Project to migrate State messaging services to an outsourced, cloud-based solution with Microsoft. The project is currently in the fourth of six phases and is scheduled for completion at the end of the current calendar year.
4. **Data Centers/Storage:** A multi-faceted project aimed at conducting a statewide inventory and recommendations regarding the State's current and future datacenter infrastructure needs. The inventory assessment was completed in December with an initial set of recommendations scheduled for delivery by early February.



IT CONSOLIDATION - PROCUREMENT

Statewide IT Spend Review Board

- All IT procurements over \$25,000 to be reviewed by an IT Spend Review Board
 - Initial focus will be on commodity spend
 - “Soft launch” January

Contractual Spend

- Identification and consolidation of decentralized IT contractual costs



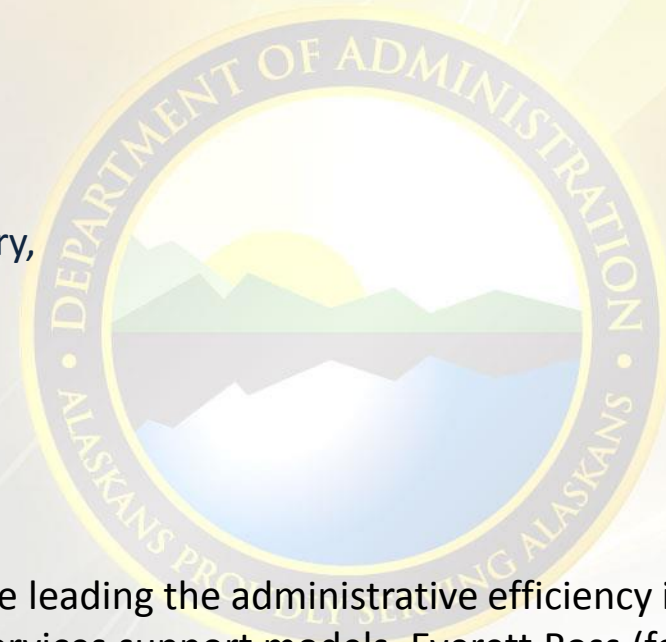
CROSS DEPARTMENTAL EFFICIENCIES:

Administrative Initiatives:

1. Train and implement process improvement principles statewide
2. Travel process revamp
3. Renegotiate procurement/lease contracts for 10-20% savings statewide
4. Implement IRIS
5. Unify facility maintenance / management
6. Central collections office for agency fines, debts and attachments
7. Re-examine charge back system between departments
8. Statewide IT consolidation; call centers, disaster recovery, helpdesk staff, and data storage
9. Streamline billing for LAW

Criminal Justice Initiatives:

1. Smart Justice
2. Minimize the number of prisoner transports through better use of technology (DPS/DOC/LAW/Courts)



Next Steps

The Departments of Administration and Transportation are leading the administrative efficiency initiatives. As the administrative initiatives align with common shared services support models, Everett Ross (former Director of Ohio Shared Services) has been brought in for external support.

FACILITIES MANAGEMENT



DGS - SAVINGS IN STATE PURCHASING

In FY16, the Division of General Services (DGS):

- **Led a Contract Cost Savings Initiative that saved executive branch agencies \$5.3 million through contract restructuring, renegotiation, and cancellation.**
- **Formalized the Alaska Procurement Officers Group (APOG).** This statewide group is comprised of one representative from each executive branch department with the aim of increasing cross-departmental communication, efficiencies, and savings.
- **Began implementing a shared services model.** The shared services model will be concurrent with APOG efforts to determine opportunities for increased savings to the state by pooling purchases and resources across departments. IRIS data will be instrumental in identifying these opportunities.

DGS – OFFICE SPACE PORTFOLIO

Statewide data

- DOA owns: 1,643,562 square feet (ground, warehouse, office, lab, parking, etc.)
- DOA leases: 3,839,255 total square feet
 - 239 total number of leases
 - \$49,274,995 total annual cost

Steps taken to reduce lease cost:

- Requested agencies provide input about reducing the scope of janitorial in the hopes of negotiating a lower monthly rate.
- Attempting to share space with multiple departments versus acquiring new space.
- Carefully reviewing all renewals and 083's.
- Not renewing leases as requested by agencies who are closing or consolidating their offices.
- Negotiating lease extension rates at 10% or more below brokers opinion of value.
- Relocating agencies into SOA owned buildings versus renewing/taking options on existing leases.
- Negotiating Government to Government leases when possible to provide lower cost lease space.
- No new RFP solicitations for lease space since 2013 all regions.
- Negotiating with Lessors cancelation/buyouts and early termination agreements when possible.
- Monitoring & tracking all current vacant/potential vacant lease space, working with Lessors to find sub-let tenants where possible.

Income opportunity: space rental at LPPG (Linny Pacillo Parking Garage)

Purpose: To offset operating cost and agency lease rates

- \$10,000-\$20,000 – monthly private tenants
- \$30,000-\$40,000 – hourly day parking

Thank you!

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for more information about our department.

Questions?



APPENDIX



POSITIONS CHANGES BY DIVISION

(FY15 MANAGEMENT PLAN VS. FY17 GOVERNOR)

GENERAL FUND DIVISIONS	FY 15 Management Plan				FY 17 Governor					
	PFT	PPT	NP	TOTAL PCN	PFT	PPT	NP	TOTAL PCN	PCN Change	
Public Defender	174	1	12	187	174	1	12	187	-	
Motor Vehicles	150	5	1	156	148	8	-	156	-	
Personnel, Labor Relations / Labor Agreements	139	2	9	150	131	4	2	137	(13)	One filled, one recently vacated
Office of Public Advocacy	123	2	11	136	127	2	11	140	4	
ETS/SATS/ALMR	122	-	-	122	123	-	-	123	1	
Retirement & Benefits / Special Systems	114	-	5	119	115	-	5	120	1	
Finance / E-Travel	64	-	14	78	62	-	6	68	(10)	Three Filled
General Services	71	3	-	74	66	3	-	69	(5)	
Alaska Oil & Gas Conservation Commission	32	-	1	33	32	-	1	33	-	
DAS, CO, DOA-IT, Fac Rent, DOA Leases, Central HR	30	-	1	31	29	-	-	29	(2)	
Office of Administrative Hearings	15	-	-	15	16	-	-	16	1	
Alaska Public Offices Commission	13	1	-	14	12	1	-	13	(1)	One filled (House changed)
Risk Management	5	-	-	5	5	-	-	5	-	
Violent Crimes Compensation Board	3	-	-	3	3	-	-	3	-	
Alaska Public Broadcasting / AIRRES	0	-	-	-	0	-	-	-	-	
OVERALL	1055	14	54	1123	1043	19	37	1099	(24)	

DGS – BUILDING PORTFOLIO

BUILDING	LOCATION	AGENCY	S.F.
Linny Pacillo Parking Garage & Office	Anchorage	Multiple	369,000
Robert B Atwood Building	Anchorage	Multiple	338,000
State Office Building & Parking Structure	Juneau	Multiple	287,850
Geological Materials Center Building	Anchorage	DNR	100,908
Fairbanks Regional Office Building	Fairbanks	Multiple	92,942
Palmer State Office Building	Palmer	Multiple	81,525
Dimond Courthouse Building	Juneau	LAW, Courts, DPS	77,000
Alaska Office Building	Juneau	H&SS	57,660
Douglas Island Building	Juneau	F&G, DOC	41,980
Court Plaza Building & Parking Structure	Juneau	Multiple	40,128
AK State Museum & Annex	Juneau	DEED	29,420
3rd Floor Capitol Building	Juneau	GOV	22,720
Community Building	Juneau	DCCED, H&SS	22,400
Viking Drive Building	Anchorage	DOA, DCCED	20,179
Public Safety Building	Juneau	DPS, H&SS, DOA	20,000
Nome State Office Building	Nome	Multiple	16,600
Governor's House	Juneau	GOV	14,400
Archives & Records Building	Juneau	DEED	10,850
		TOTAL	1,643,562