

# State of Alaska

# Office of Management and Budget

**Senate Finance Central Services and Rates Overview**

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# Central Services

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## General Definition

- A service that is performed centrally on behalf of the rest of the organization
- Also known as general administration, overhead, back office functions

## State of Alaska Specific Definition

- A service that is performed centrally by one department on behalf of all departments

## Purpose

- The central service agency is a subject matter expert in their service area
- Centralized services benefit from economies of scale for overall cost savings

## Central Services – Currently

Dept. of Law

Legal Services

Dept. of Education

Archives

Dept. of Transportation

Facilities Services

Capital Project Management

Leasing

State Equipment Fleet

Dept. of Administration

Risk Management

Administrative Systems  
(IRIS/ALDER)

Office of Information Technology

Shared Services

Personnel and Labor Relations

Procurement

Public Building Management

Leasing



## FY2022 Governor's Budget – Central Service Changes

Transfer existing centralized services from Administration to Transportation

- Public Building Management
- Leasing

Additional services centralized within Administration

- Procurement
- Personnel (Human Resources)

# Central Services Costs

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## Cost Distribution

- Central Service costs are charged to benefitting programs using a cost allocation rate
- Also known as a chargeback rate
- Allocation rates are applied to a cost or activity that drives costs within the central service agency
- For example, central human resource services charged with a per employee rate

## State of Alaska Specific Costs

- Greater than \$380 million charged to all fund sources
- Less than 4% of the overall state budget

# Rates – Current System

General Administration	
Cost	Method
DOA - Risk Management (RM) for Workers' Comp	per salary \$
DOA - Working Reserve	per salary \$
DOA - Personnel	per PCN
DOA - OIT Core Services	per PCN
DOA - HR System (IRIS HRM)	per PCN
DOA - Finance System (IRIS FIN)	per posting line
DOA - Reporting System (ALDER)	per user by type
DOA - Shared Services (SSOA)	per document

Overhead	
Cost	Method
DOA - RM for Property & Other Coverage	Coverage needs (property owned...)
DOA - OIT usage rates (servers...)	Usage (server counts...)
DOA & DOTPF - Public Building Fund	Occupied space
DOTPF - Facilities Services	Services needs
DOT - State Equipment Fleet	Usage (Vehicles & Maintenance)
OMB-ASDs	Actual costs

Demand/Fee-based RSAs	
Cost	Method
Dept of Law	Fee per hour
DHSS - Bureau of Vital Statistics	Fee per record
DEED - Archives	Fee per service
DOR - PFD Records	Fee per record
DOA - OIT Line of Business Services	Fee by usage
DPS - Background Checks	Fee per service
Other agency fee-based services not specified above	Varies by fee

## Rates – Principles for Moving Forward

- Simple
  - Fewer rates
  - Fewer methods for distribution - group similar rates
  - Simplified payment process
- Predictable
  - Set for budget development - integrated into budget system
  - Clear method to estimate program cost impacts
  - Predictable billings - no end of year surprise billings
  - Based on lagging averages - average of three prior year actuals
  - Cost constraints - change how central service agency costs are budgeted
  - Mechanism to absorb large fluctuations

## FY2022 Governor's Budget – Rate Changes

### Transfer State Facility Lease Funding from Transportation to Occupying Agencies

- Consistent treatment of state facility leases
- Reflect true program costs

### Reduce Shared Services and Information Technology Budget Authority

- Align central service agency budgets with approved rates
- Recognize efficiencies and realized savings
- Improve budget transparency



## FY2022 Governor's Budget

Utilize Limited Year End Unrestricted General Fund (UGF) Lapse Balances  
to Ensure Rate Predictability – especially critical during transition years

FY2021 Projected Operating UGF Lapse*				\$ 110,666.3
	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021 Maximum</b>
Working Reserve Account Lapse Contributions	\$ 1,142.8	\$ 476.5	\$ -	\$ 5,000.0
Group Health and Life Benefits Fund Lapse Contributions	\$ -	\$ -	\$ -	\$ 10,000.0
Central Services Rates Smoothing Appropriation Lapse Contributions				\$ 5,000.0
State Insurance Catastrophe Reserve Account Lapse Contributions	\$ 982.6	\$ 3,368.9	\$ 241.0	\$ 5,000.0
<b>Total</b>	<b>\$ 2,125.4</b>	<b>\$ 3,845.5</b>	<b>\$ 241.0</b>	<b>\$ 25,000.0</b>
FY2022 Medicaid Support				\$ 35,000.0
Adjusted FY2021 Projected Operating UGF Lapse				\$ 50,666.3

\*This is based on the UGF Lapse Report released by the Office of Management and Budget March 4, 2021 and a worst case scenario of needing to use FY2021 Lapse to fill the maximum amount for each of these lapse appropriations.

**More information, reports, and detailed department  
budget books at [omb.Alaska.gov](http://omb.Alaska.gov)**



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