FY2022 Central Service Agency Cost Allocation Rates Summary:

Central service agencies such as the Division of Personnel and Labor Relations (DOPLR) and the Office of Information Technology (OIT) provide services that support programs across State agencies.

Central service agencies distribute the cost of providing their services to benefitting programs using a cost allocation rate, also known as a chargeback rate, based on the cost drivers for the service. For example, DOPLR services and costs are primarily driven by employees; therefore, DOPLR services are allocated to programs based on their number of employees during the fiscal year.

The Office of Management and Budget (OMB) in concert with central service agencies has undertaken a governmental efficiency project to simplify the State's cost allocation rates and processes. One primary objective of this project is to create predictability for the billings incurred by departments by setting chargeback rates in advance. However, setting rates in advance generates risk for central services agencies if they experience unpredictable costs or if rate collections are lower than predicted.

To address these concerns, the FY2022 budget includes an appropriation from FY2021 lapse balances not to exceed $5 million to cover unanticipated under collections or emergency expenditures for the various central service agencies and avoid unanticipated billings to State programs. Five million dollars represents only 3% of the total amount billed by chargeback agencies in FY2021.

The FY2022 budget also includes decrements in central service agency budgets as needed to ensure the budget transparently reflects actual costs. At the beginning of the State's current centralization efforts, the budgets for those central services agencies were set based on preliminary estimates of need. In some cases, those estimates significantly exceed current expenditure levels and need to be adjusted. Other central service agency budgets are no longer in alignment with actual costs due to their significant efforts to realize efficiencies and cost savings.

For example, Shared Services of Alaska (SSOA) has reduced processing times over the past year by 66% for accounts payable and 85% for travel. As a result, SSOA's central services cost allocation rate per document processed in FY2021 was 22% less than FY2020 and has resulted in a higher level of budget authority than necessary.

Office of Mangement and Budget

UGF Lapse and Waterfall Appropriations Summary (in thousands)

March 10, 2021

FY2021 Projected Operating UGF Lapse*				$ 110,666.3
	FY2018	**FY2019**	**FY2020**	**FY2021 Maximum**
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
Total	**$ 2,125.4**	**$ 3,845.5**	**$ 241.0**	**$ 25,000.0**
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.