

FISCAL NOTE Bill Version: CSHB 40 (CRA)

(H) Publish Date: 3/26/99

**STATE OF ALASKA
1999 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction) _____ Dept. Affected multiple
 Title An Act combining the Departments of Commerce BRU multiple
 and Economic Development and Community and Reg. Affairs Component multiple
 Sponsor Representative Kohring
 Requester Hs C & RA Committee Component Serial No. _____

Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	(189.0)	(189.0)	(221.1)	(221.1)	(221.1)	(221.1)
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	(189.0)	(189.0)	(221.1)	(221.1)	(221.1)	(221.1)

CAPITAL EXPENDITURES	907.7					
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CHANGE IN REVENUES (1007)	(42.0)	(42.0)	(42.0)	(42.0)	(42.0)	(42.0)
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	760.7	(147.0)	(179.1)	(179.1)	(179.1)	(179.1)
1005 GF/Program Receipts						
1037 GF/Mental Health						
1007 Interagency Reciepts	(42.0)	(42.0)	(42.0)	(42.0)	(42.0)	(42.0)
TOTAL	718.7	(189.0)	(221.1)	(221.1)	(221.1)	(221.1)

Estimate of any current year (FY99) cost: _____

POSITIONS

Full-time	(2)	(2)	(2)	(2)	(2)	(2)
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by Tom Lawson, Director
 Division Administrative Services
 Approved by Commissioner Deborah B. Sedwick
 Agency Commerce and Economic Development

Phone 465-2506
 Date/Time 3/24/99 12:42 PM
 Date 3/24/99

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FISCAL NOTE

BILL NO. HB 40

STATE OF ALASKA
1999 LEGISLATIVE SESSION
ANALYSIS: (continued)

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT Fiscal Note Calculations for HB 40

HB 40 would combine the Departments of Commerce and Economic Development and Community and Regional Affairs, creating a new Department of Commerce and Rural Development, and would transfer a few programs to other state agencies, including the Departments of Labor and Health and Social Services. No existing programs are eliminated in this legislation. We estimate that it will take twelve to twenty-four months to implement this legislation, including moving staff, merging programs, etc. Following is our best estimate of the fiscal impacts.

Personal Services Savings

This fiscal note shows the estimated savings in staff associated with the merger of DCED and DCRA. This bill may result in the elimination of some administrative support positions. However, during a twenty-four month transition period, no administrative support staff should be eliminated. In fact, administrative workloads will increase because of the merger and transfer of financial and computer systems, personnel issues which will arise, office relocations, and budget development and implementation. Initially, one Commissioner and Executive Secretary will be eliminated in the Commissioner's Office. In addition, the vacant Administrative Services Director will be downgraded to an assistant director, the vacant Tourism Director will be downgraded to a manager, and the Director of the Division of Community and Rural Development (DCRD) will be downgraded to a program coordinator. All DCED and DCRA directors are partially exempt and therefore subject to the State's Personnel Rules. One of the personnel rules requires that when a downgrade occurs, salaries must be matched and if this is not possible, salaries are to be frozen for two years. Consequently, savings on the downgrade of the DCRD director to program coordinator are not shown until FY02. All other staff eliminations or other savings will have to await implementation of this legislation and a comprehensive evaluation by all affected agencies of the impacts. Specific positions which will need to be evaluated in the first 12 months include: a Deputy Commissioner and a Special Assistant to the Commissioner II. In the second year of implementation, administrative support staff in divisions and administrative services personnel will be evaluated for possible elimination. Following is our estimate of personal services savings:

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Eliminate commissioner	\$ (111.2)	\$ (111.2)	\$ (111.2)	\$ (111.2)	\$ (111.2)	\$ (111.2)
Eliminate secretary	\$ (50.2)	\$ (50.2)	\$ (50.2)	\$ (50.2)	\$ (50.2)	\$ (50.2)
Downgrade admin services director	\$ (13.8)	\$ (13.8)	\$ (13.8)	\$ (13.8)	\$ (13.8)	\$ (13.8)
Downgrade tourism director	\$ (13.8)	\$ (13.8)	\$ (13.8)	\$ (13.8)	\$ (13.8)	\$ (13.8)
DCRD director to Program Coord.	\$ -	\$ -	\$ (32.1)	\$ (32.1)	\$ (32.1)	\$ (32.1)
Total Personal Services Savings	\$ (189.0)	\$ (189.0)	\$ (221.1)	\$ (221.1)	\$ (221.1)	\$ (221.1)

Capital Costs

This fiscal note includes a total of \$907.7 for moving/computer/space planning costs as a capital budget item. DCRA and DCED offices in Juneau and Anchorage are consolidated over a period of time with no additional lease costs. Because employees from two departments will be relocated to multiple departments and in order to ensure appropriate management of all moving funds, we have consolidated all moving costs into this fiscal note and recommend that the appropriation for moving costs be made to the Office of Management and Budget.

Moving Costs. While more than 250 employees will ultimately be moved as a result of this legislation, we estimate that funding to cover moving expenses for a total of 125 positions is necessary to accommodate the departmental transfers. Over a period of several years, a total of 147 positions will moved to the Atwood Building. However, moving costs for the Atwood Bldg were previously appropriated, so no expenses for Atwood Building moves are included in this fiscal note. The Department of Administration, Division of General Services and Supply, has developed a cost per position moving factor of \$6.1. This factor was developed through an analysis of recent office moves in Juneau and Anchorage. Total moving costs for the 125 positions are \$762.5.

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. HB 40

ANALYSIS: (continued)

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
Fiscal Note Calculations for HB 40

Capital Costs cont'd.

Computer Systems One Time Costs. Money will be needed for computer systems conversions. We estimate that \$120.2 as a one time capital appropriation for FY00-FY05 period will be needed for costs to convert DCRA computers to the DCED system. Costs include server/hub upgrades, software upgrades and license fees. In addition, costs are estimated for separate Child Care Assistance and JTPA offices. It is assumed that programming and conversion tasks will be undertaken with in-house staff. Cabling costs are included in the moving cost estimate. The integration of the separate DCRA and DCED computers will speed public services and improve the ability of the public to access departmental information.

Space Planning & Leasing The Department of Administration, Division of General Services will provide support to the affected agencies. This support will include: enforcing space standards; negotiating lease improvements; and coordinating building modifications with DOT/PF in State owned buildings. \$25.0 for Juneau will be needed to contract for the services of an architect to design office facilities for those employees who will be relocated.

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Move 96 Jno positions at \$6.1 each	\$ 585.6	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Move 29 Anc positions at \$6.1 each	176.9	0.0	0.0	0.0	0.0	0.0
Move subtotal	762.5	0.0	0.0	0.0	0.0	0.0
Computer Systems	120.2	0.0	0.0	0.0	0.0	0.0
Space Design Contract	25.0	0.0	0.0	0.0	0.0	0.0
Total Capital Cost	\$ 907.7	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0

HB 40 Space Allocation Worksheet

I. Juneau

Agency/Program	Going From	Going To	Current Office Location			
			9th Flr SOB	DCRA BLDG	Plywood Palace	Vintage Park
Administrative Services	DCRA	Labor		2		
Statewide Services Delivery	DCRA	Labor		7		
Subtotal			0	9	0	0
Commissioner's Office	DCED	DCRD	4			
Commissioner's Office	DCRA	DCRD		6		
Commissioner's Office	DCRA	Deleted		(2)		
Administrative Services	DCED	DCRD	18			
Administrative Services	DCRA	DCRD		18		
Banking, Sec., & Corp.	DCED	DCRD	20			
Insurance	DCED	DCRD	30			
Occupational Licensing	DCED	DCRD	38			
Trade & Development	DCED	DCRD	10			
Tourism	DCED	DCRD	11			
Investments	DCED	DCRD				39
ASMI	DCED	DCRD			10	
Data Processing	DCRA	DCRD		1		
Training and Development	DCRA	DCRD		2		
Statewide Assistance	DCRA	DCRD		5		
Community & Economic Dev.	DCRA	DCRD		5		
Energy Operations	DCRA	DCRD		1		
Head Start	DCRA	DHSS		3		
Subtotal			131	39	10	39
Total			131	48	10	39
Preferred Option						
DCRA Programs to 9th Floor SOB			39	(39)		
SSD/Admin Services to Labor				(9)	9	
Occ. Licensing to DCRA Bldg.			(38)	38		
ASMI to DCRA Bldg.				10	(10)	
Net change			1	0	(1)	
Total Number of Positions Moved				96		

HB 40 Space Allocation Worksheet

II. Anchorage	Going From	Going To	Current Office Location							
			DCED 7th Flr Frontier	DCED 13th Flr Frontier	AADC Ak Energy Bldg	DCRA Post Office Mall	AIDEA Bldg	APUC Bldg.	ASTF UAA Diplomacy	
Agency/Program										
JTPA State Office	DCRA	Labor					11			
Statewide Services Delivery	DCRA	Labor					3			
Administrative Services	DCRA	Labor					1			
Subtotal			0	0			15	0	0	0
Child Care Assistance	DCRA	DHSS					9			
Administrative Services	DCRA	DHSS					5			
Subtotal			0	0			14	0	0	0
Commissioner's Office	DCED	DCRD	2							
Administrative Services	DCED	DCRD	1							
Banking Sec. & Corp.	DCED	DCRD	5							
Insurance	DCED	DCRD		20						
Occupational Licensing	DCED	DCRD	28							
Trade	DCED	Gov	4							
Development	DCED	DCRD	9							
Investments	DCED	DCRD	5						46	
APUC	DCED	DCRD								
ATMC	DCED	DCRD	3							
ASTF	DCED	DCRD								7
AADC	DCED	DCRD				4				
AIDEA	DCED	DCRD						31		
Administrative Services	DCRA	DCRD					7			
Data Processing	DCRA	DCRD					6			
Training & Development	DCRA	DCRD					21			
State Assessor	DCRA	DCRD					2			
Local Boundary Comm	DCRA	DCRD					3			
Community Dev Assistance	DCRA	DCRD					6			
Energy Operations	DCRA	DCRD					25			
Subtotal			57	20	4		70	31	46	7
Total			57	20	4		99	31	46	7

Preferred Option Moves

<i>Atwood Bldg in FY00</i>										
Trade staff to Gov's Office			4	(4)						
DCED: Comm.'s Office, Admin Services, BSC, Occ. Lic., Development, Investments			53	(53)						
DCRA: Community Dev. Assist			6				(6)			
<i>Atwood Bldg in FY02</i>										
Insurance			20						(20)	
<i>Atwood Bldg in FY06</i>										
DCRA: Admin Services, DP, Train. & Dev., State Assess., Local Bound. Comm., Energy Operations			64							(64)
Atwood Bldg. position move total			147	(57)	(20)			(70)		
<i>JTPA/SSD/Admin to Labor in FY00</i>										
			15							(15)
<i>Child Care Assist/Admin to DHSS in FY00</i>										
			14							(14)
Position move total (non Atwood Bldg)			29					(29)		
Net Change			176	(57)	(20)	0	(99)	0	0	0

Note: Move totals for the Atwood Bldg. and other offices are separated because moving costs for the Atwood Bldg were previously appropriated.

Personal Services worksheet

FY00/FY01	GF	IA	Total
Eliminate commissioner	82.3	28.9	111.2
Eliminate secretary	37.1	13.1	50.2
Downgrade admin services director	13.8		13.8
Downgrade tourism director	13.8		13.8
Total savings	147.0	42.0	189.0

FY02+	GF	IA	Total
Downgrade DCRD director	32.1		32.1
Eliminate commissioner	82.3	28.9	111.2
Eliminate secretary	37.1	13.1	50.2
Downgrade admin services director	13.8		13.8
Downgrade tourism director	13.8		13.8
Total savings	179.1	42.0	221.1

Calculation of moving costs

The average of \$6,100 is based on costs of Juneau and Anchorage moves of state agencies over the last several years. We have portrayed the costs in terms of both cost per position and costs per square feet.

The following cost categories are typically encountered.

	Average Cost / Position	Average Cost / Sq Ft
A. Move Property	198	1.06
B. Move Phones	239	1.38
C. Move Computers / Networks	656	3.55
D. Move Systems Furniture	1,834	9.94
E. Construct Tenant Improvements	3,166	15.71
Total Estimated Cost	6,093	31.65

Costs are averages based on moves of 10 to 75 positions. Smaller moves will be at a higher unit costs and larger moves at a lower unit cost.

System furniture costs include minor re-configuration and parts purchase. If additional workstations are required costs range from \$4,500 to \$5,000 per workstation.

The Tenant Improvement costs assume only minor building renovations to accommodate new tenants. These costs vary widely depending on the nature of the facility and the needs of the agency.

No costs are included for ADA or other building code requirements. Computer costs include wiring and terminations. No costs are included for hardware or software network compatibility problems.

Computer Networking Costs

	Cost Est.	Qty	Total
New Child Care office:			
New server for CC, software, etc.	15000	1 \$	15,000
Cabling and wire centers (covered in move costs)	500	10 \$	-
State WAN connection (startup costs)	7000	1 \$	7,000
Intranetware licenses	50	9 \$	450
Subtotal			<u>\$ 22,450</u>

	Cost Est.	Qty	Total
New JTPO office:			
New server, software, etc.	15000	1 \$	15,000
Cabling and wire centers (covered in move costs)	500	14 \$	-
State WAN connection (startup costs)	7000	1 \$	7,000
Netscape Communicator Pro	60	14 \$	840
Intranetware licenses	50	14 \$	700
Subtotal			<u>\$ 23,540</u>

	Cost Est.	Qty	Total
DCRA switches to Netware			
Cabling in Anchorage (covered in move costs)	350	76 \$	-
Intranetware licenses	45	176 \$	7,920
new server for Juneau	9000	1 \$	9,000
new NTW licenses for RAS	100	10 \$	1,000
Netscape Communicator Pro	50	426 \$	21,300
Additional costs for upgrading hubs, etc.			\$ 35,000
Subtotal			<u>\$ 74,220</u>

Total expenses:

\$ 120,210