

SENATE FINANCE COMMITTEE
February 6, 2018
9:04 a.m.

9:04:31 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:04 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Anna MacKinnon, Co-Chair
Senator Click Bishop, Vice-Chair
Senator Peter Micciche
Senator Donny Olson
Senator Gary Stevens

MEMBERS ABSENT

Senator Natasha von Imhof

ALSO PRESENT

Sylvan Robb, Deputy Commissioner, Department of Administration; Kevin Brooks, Shared Services Director, Department of Administration.

SUMMARY

^PRESENTATION: SHARED SERVICES INITIATIVE

9:05:00 AM

SYLVAN ROBB, DEPUTY COMMISSIONER, DEPARTMENT OF ADMINISTRATION, shared that she and her staff would update the committee on progress that had been made on shared services.

KEVIN BROOKS, SHARED SERVICES DIRECTOR, DEPARTMENT OF ADMINISTRATION, spoke to the presentation "Department of Administration Shared Services of Alaska Overview,"

Mr. Brooks turned to Slide 2, "Shared Services of Alaska (SSoA) Mission":

"To provide back office support of common administrative transactions to allow state departments to use budget and staff to focus on their core mission and responsibilities."

- SSoA merged with legacy functions of the Division of General Services in FY2018 budget to form a single division.

[9:07:31 AM](#)

Mr. Brooks looked at Slide 3, "Shared Services of Alaska," which showed a table that provided an overview of shared services. He detailed that the entire division budget was \$77,670.1, approximately half a million of which was receipt driven; there was \$481.4 in UGF and everything else was billed out or funded through program receipts. He said that the primary component allocations included: Business Transformation Office, Accounting, Purchasing, Mail and Print Services, State Leases, and State Facilities. The six components made up the appropriation that was now Shared Services, totaling \$77,670.1.

Mr. Brooks showed Slide 4, "Changes in the FY19 Budget":

- \$500.0 DGF Business Transformation Office - collections revenue and vendor fees
- \$138.0 DGF Purchasing - State Surplus sales growth
- -\$1,000.0 I/A Leases - Space reduction and cost per sq foot reduction due to vendor negotiations
- -18 PFT/ -3 PPT transfer maintenance staff to DOT

[9:09:54 AM](#)

Mr. Brooks reviewed Slide 5, "SSOA - Three Major Initiatives":

- Travel and Expense
- Collections
- Accounts Payable

Mr. Brooks spoke to Slide 6, "Travel and Expense Initiative":

- Doing work for 12 departments
- Processing 30% of approximately 40,000 annual trips
- Goal is 80% by June 30, 2018

- Streamlined processes
- Better utilization of State's accounting system - IRIS
 - Integrated Resource Information System

Mr. Brooks said that the primary means of travel for the department was air travel. He shared that the initiative had been approached in waves; smaller departments had been considered all at once, larger departments had been broken b=down into divisions or regions. He expounded on the streamlining of state agencies processes, particularly the use of the new Integrated Resource Information System (IRIS) to establish standardized procedures that all travel would be processed under.

[9:12:16 AM](#)

Co-Chair MacKinnon asked whether the state was working with enterprise agencies such as the University, Alaska Industrial Development and Export Authority (AIDEA), in the standardization process, or was the effort directed toward centralized government.

Mr. Brooks replied that the initial work was with state departments only. He shared that the quasi-governmental corps could be in scope but were not the priority. He said that one of the premises was that the department used the IRIS system. He said that there was an E-travel Office that had negotiated discounts with Alaska Airlines that was available and was outside of the scope of the reconciliation.

Senator Stevens was concerned whether there was an attempt to coordinate Information Technology (IT) services within the state departments.

Mr. Brooks stated there were a number of initiatives in play.

Senator Olson queried the anticipated savings from shared services.

Mr. Brooks stated that anticipated savings would be through reduced staff. He noted that OMB had taken a 10 percent reduction of positions in the FY18 budget. He said that a similar statewide reduction would be seen in the FY19 budget of \$500,000 in general funds, \$1 million total.

[9:16:08 AM](#)

Mr. Brooks displayed Slide 7, "Collections Initiative":

- Hired Account Control Technology, Inc. (ACT) to work on behalf of the state to collect delinquent debt
- ACT is now working on Alaska Court System debt
 - \$7 million over ~31,000 accounts
- ACT is now working on Department of Law legacy debt
 - \$153 million over ~90,000 accounts
- ACT is now working on Alaska Permanent Fund debt
 - \$1.5 million over ~1,100 accounts
- SSOA coordinated with Permanent Fund Dividend Division on garnishments in October 2017
 - \$6.1 million over ~41,000 accounts

Mr. Brooks stated that there were debt-collection efforts throughout the state, but not to a large degree. He detailed that the collections initiative hired the contractor Account Control Technology, Inc., who was paid 14 percent of debts collected.

[9:20:16 AM](#)

Vice-Chair Bishop asked for more background on the contractor Account Control Technology, Inc.

Mr. Brooks agreed to provide more information.

Senator Micciche was curious if a 14 percent profit was typical for collection contractors.

Mr. Brooks detailed that the department had done an RFP and had chosen from a half-dozen bidders. He believed that the contract had been competitively bid and that the department was comfortable with the price of 14 percent.

Senator Stevens asked for further explanation on the payment schedule and whether the 14 percentage could increase over time.

Mr. Brooks explained that the schedule increased in step from 14 percent to 17 percent to 24 percent, capping out at 24 percent after 3 years. He said that the state was within the first year of working with ACT.

Co-Chair MacKinnon asked what progress had been made on collections in the past year of contractor efforts. She wondered whether consideration had been given for the recovery rate when the RFPs were considered.

Mr. Brooks clarified that permanent fund dividend garnishments were separate from the work done by ACT. The state informed ACT when dividends were garnished, and the PFD total was subtracted from the total debt. He detailed the state's relationship with ACT and the various types of debt collected. He said that the rate of collection had been slower than what had been hoped for, but it was understood that the first few years would be slow for debt collection.

[9:26:12 AM](#)

Mr. Brooks continued that ACT had subcontracted out the legacy debt and it was hoped that a dent would be made in the legacy debt overtime.

[9:27:15 AM](#)

Co-Chair MacKinnon asked of the debt listed as in possession of ACT, how much of the debt already gone through garnishment proceedings.

Mr. Brooks answered that the debt had gone through garnishment proceedings and that the garnishment process happened annually, even debt that had been placed with ACT.

Co-Chair MacKinnon asked whether ACT had collected any funds for the state.

Mr. Brooks replied yes, hundreds of thousands of dollars had been recovered.

Co-Chair MacKinnon requested that the total be provided at a later date.

[9:28:30 AM](#)

Mr. Brooks turned to Slide 8, "Accounts Payable Initiative":

- Kaizen process review of State procurement functions in June 2017

- Kaizen process review of state accounts payable functions in September 2017
- Transaction testing in state accounting system (IRIS) is ongoing through January 2018
- Establish department "wave" schedule for onboarding department accounts payable functions throughout remainder of 2018

[9:30:28 AM](#)

Mr. Brooks spoke to Slide 9, "SSOA Growth and Activity - Calendar Year 2017," which demonstrated the "wave schedule" mentioned on the previous slide.

Mr. Brooks discussed Slide 10, "SSOA Growth and Activity - Calendar Year 2018 (Roadmap)," which showed the growth and activity for 2018. He noted that the department was looking into travel and expense and would be making a second pass through to revisit the departments to pick up any remaining work. He pointed out the gap in July and August, which was the appropriation period in the accounting system and was a very busy time across the state, which was why a break was given during this time. He said that different departments had debt, but not all departments.

[9:32:19 AM](#)

Mr. Brooks thought he explained the progress of shared services initiatives. He referenced questions about positions and shared that the division had hired two program managers. He discussed the determination that travel booking was best done by departments. He said that the department was focused on reconciliation only.

Mr. Brooks said that some of the division's employees had gone on to benefit other departments. He felt that the division would work forward into the future to find further efficiencies in the state.

[9:36:08 AM](#)

Co-Chair MacKinnon asked whether shared services were finding efficiencies and reducing the costs of delivering services.

Mr. Brooks replied in the affirmative but lamented that the work was happening more slowly than had been hoped but that

rough times were expected during the start-up of any venture. He said that efficiencies would continue to be sought out by the office, and with fewer staff.

[9:38:18 AM](#)

Ms. Robb added that the department did not envision their work ever being done but that continuous improvement and additional efficiencies would always be the goal.

Co-Chair MacKinnon asked how the division was measuring up to expectations related efficiencies, opportunities for cost savings, and better work performance laid out by an Ohio contractor during a past meeting with Department of Revenue Commissioner Sheldon Fisher.

Ms. Robb stated that the division continued to work with the Ohio contractor, who continued to provide support. She reiterated that the work was not happening as fast as had been anticipated, but that the department was pleased with the direction the work was flowing.

Co-Chair MacKinnon wondered about the speed in which the work was progressing.

Ms. Robb stated that much of the process had been built from the ground up, and there had been a number of lessons learned. She anticipated that in rolling out the accounts' payable initiative, things would happen more smoothly.

Co-Chair MacKinnon asked whether there had been a positive reduction to full-time positions as a result of shared services.

Mr. Brooks reiterated that that only the two program managers leading the initiative had been added, all other positions had previously existed within the departments. He said that the net number of positions was a reduction.

[9:43:00 AM](#)

Co-Chair MacKinnon asked for a breakdown of the initiative hiring process. She feared that the public could be confused on the issue.

Senator Micciche wondered how much the private sector had been used by the department during the process.

Mr. Brooks relayed that the department had sought some private sector high level accounting assistance. He said that the department was looking to private sector alternatives where possible.

Senator Micciche asked whether the state had revised their travel philosophy and policy, and whether random compliance checks were issued for departments.

Mr. Brooks replied in the affirmative. He had observed that overall travel had been reduced from 53,000 to 40,000. He noted the various methods of communication employed by departments in the place of physical travel.

Senator Micciche asked whether there was new travel policy and random compliance checks.

Mr. Brooks stated that every department reported their travel activity to the Governor's office on a quarterly basis. He said that departmental travel was reviewed on a regular basis.

[9:46:51 AM](#)

Senator Micciche asked about space utilization and efficiency. He asked whether the administration determined an overall reduction in space, or a goal for reduction, or if the matter was left to departments.

Mr. Brooks replied that department's requested space, which was then negotiated. He said that for the last few years there had been a focus on higher utilization of state-owned space. He stated that all state agencies were looking for efficiencies in the utilization of space and getting out of high cost leases.

Senator Micciche asked for any reports that might be available on those efforts.

[9:49:26 AM](#)

Senator Olson asked about the travel initiative, and the subject of the Alaska Airlines Mileage Plan.

Mr. Brooks stated that individual state employees did accrue miles. He did not consider that state employees were

travelling in order to accrue miles, but rather travelled for state business.

Co-Chair MacKinnon asked about peak travel times and wondered about a trip count based on months of travel.

Mr. Brooks stated that he would provide detailed travel information by department.

Co-Chair MacKinnon asked whether the month of December was a peak travel time.

Mr. Brooks replied in the negative.

Co-Chair MacKinnon requested travel details for the Department of Health and Social Services.

[9:52:15 AM](#)

Vice-Chair Bishop hoped to see the DGF spend compared to the UGF spent on travel.

Mr. Brooks responded that he could not speak to the fund source by line item. He said that he would get back to the committee with the information.

Vice-Chair Bishop said that the number could be aggregate. He said that he cut travel in his department when he was a commissioner.

Co-Chair MacKinnon wanted to see how departments were travelling throughout the year. She thought it was important to consider that certain grants required on-site checks of different projects, which required travel.

Co-Chair MacKinnon discussed housekeeping.

Co-Chair MacKinnon thanked Mr. Brooks for his service to the state.

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ADJOURNMENT

[9:55:16 AM](#)

The meeting was adjourned at 9:55 a.m.

