

1/31/12
BUDGET
OVERVIEW:
DEPARTMENT
OF
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DEPARTMENT OF
ADMINISTRATION</SUBJECT><COMM>HFIN27</COMM></TARGET>

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

BECKY HULTBERG, COMMISSIONER

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February 14, 2012

The Honorable Bill Stoltze, Co-Chair
The Honorable Bill Thomas, Co-Chair
House Finance Standing Committee
State Capitol, Room 519
Juneau, AK 99801-1182

Dear Representatives Stoltze and Thomas:

Thank you for the opportunity to meet and present our department overview on January 31, 2012. Following are the questions raised during our meeting and the responses to those questions:

- Q1: Regarding guardian ad litem (GAL), are caseloads too high? Often representatives of the child do not know about the case until they arrive at court and open the file. Please look at the child protection area and report back what the conclusion is on the workloads. (Rep. Gara)
- A1: The overall GAL caseload for the agency staff GALs has not seen significant growth in the last few years. Currently, caseloads for GALs in Alaska are at target levels in most areas of the state including Anchorage and Juneau. Caseloads are slightly above target, but not at critical levels, in Palmer, Fairbanks and Bethel. OPA has expanded GAL services where the most urgent need has been determined. For example, last year the agency added a contract GAL to the Bethel area.

The Office of Public Advocacy and its supervisors closely monitor the GAL Child in Need of Aid (CINA) caseload, training and support. Agency supervisors communicate with the bench regularly to obtain feedback regarding the GAL role and GAL performance. Any GALs appearing in court unprepared would be unacceptable, and our staff supervisors would investigate such an occurrence and address it through training and supervision.

- Q2: There are concerns that Alaska Public Offices Commission (APOC) has experienced an average annual growth rate of 11%, even though filers are now entering their own information. Are layoffs expected to take place since filers are providing the data entry themselves? What is the APOC staff doing and how are they spending their time? (Rep. Thomas)
- A2a: Is APOC's budget growing by 11%?

The APOC budget has grown by just over 11% per year (governor's management plan, all funds) over the time period FY05 to FY13. Because the APOC budget is relatively small

(between \$665,000 and \$1.6 million over this time period), a relatively modest number changes can result in large percentage increases in growth. For example, an increment of \$139,000 was included in APOC's FY07 budget to cover anticipated increased services costs for the 2006 election season. That increment alone, though small, resulted in a 19 percent annual increase in the APOC FY07 budget as compared to the FY06 budget.

When the legislature enacts new laws related to regulation of campaign finances and lobbying, new positions are required to implement these laws. In 2008, the legislature enacted into law two bills, HB 109 (relating to bribery, campaign financing and ethics) and HB 281 (relating campaign contribution disclosures). As a result of these bills, the legislature approved two new full time positions: an administrative website support position (HB 109), and a paralegal position to support audits and investigations (HB 281). In 2009, the legislature enacted into law SB 284 (relating to campaign expenditures), which resulted in the addition of a paralegal position. Again, because APOC's budget is small, the addition of only one full time position can increase its budget by approximately five percent in any one fiscal year.

That being said, APOC acknowledges that its growth rate over the FY05 to FY13 time period is not indefinitely sustainable. Barring new campaign financing and lobbying legislation that impose new administrative requirements on APOC, we believe that APOC will be able to reduce its rate of budget growth to sustainable levels.

Currently, as presented in the Department of Administration budget overview, the FY13 budget is requesting a one-time increase of \$68,100 to enable staff to work through an unusually heavy workload during an election year. Notably, this amount is approximately half of the increment APOC requested for the 2006 election season.

A2b: What is APOC staff doing and how are they spending their time?

The task of data entry has not abated, time spent on outreach and education has more than tripled since October 2011 and notifications to filers and direct service to the public have increased. Staff is spending more time in auditing and assisting candidates and the public to access information in an effort to be more proactive and less punitive. The table below offers a view of where time was spent by APOC staff over the past few months.

APOC Staff Time Spent in Hours Per Month				
	Oct '11	Nov '11	Dec '11	Jan '12
Complaints	140.25	196.25	140.5	84.25
Advisory Opinions	10.5	8.25	19.75	29.25
Meetings	180	236.75	247.75	230.5
Research	99	32.25	37	73.75
Audits	89.5	35	43.5	37.25
Personnel/HR	73.25	84	43.5	20.75
Data Input	220.25	169.25	179.75	146.75
Notification to filers	53.25	57	84.75	92.75
Direct Service to Public	84.5	98.5	154.25	230.75
Outreach/training	75.75	57	273	275.75

Correspondence	25.75	31.75	36.75	67.5
Filing	49	52.5	82.25	72.25
Dept of Admin	22.75	54.5	54.5	40.25
Dept of Law	19	17.25	16.25	9.25
Commissioners	10	56.75	6.75	82.25
Legislature	0	0	0	17.25
Other Admin	246	264.25	192.5	217
Travel	37.25	13.5	29.5	38.25
Leave ¹	130.5	158.75	249.5	189.5
Other	84.75	90.75	144.5	170.25
TOTAL	1631.25	1722.5	2086.25	2125.5

Q3: With regard to ALMR, for fire service areas that cannot afford the costs, will there be a system available for them to use? (Rep. Wilson)

A3: The ALMR system covers most of the state road system, several Southeast communities and about 80% of the state population. The system is available in those areas within reach of the radio/microwave towers. Regarding cost and affordability, the Department of Administration is engaged in a cooperative effort to arrive at a long-term sustainable cost recovery method that considers a variety of factors including ability to pay. We expect a final plan in time for FY14 budgets.

For fire service areas, an alternative to ALMR service will still produce a cost from either installing and maintaining a separate system for the fire service area or acquiring radios to talk on another police or fire radio system.

The cost share collaboration team is aware of the difficulty facing small not for profits and is working to address those concerns. If a fire service area, Bear Creek FSA for example, is using ALMR now and if a cost share is implemented that they cannot afford in their current budget scheme, they would face being without any system. There are several approaches they could take:

1. seek funding through assessment of the FSA membership or by grant application sufficient to keep using ALMR
2. as in number one, but obtain funding to build their own system (very expensive and impractical)
3. as in number one, but use the funding to utilize another existing single-use system if one is available in the coverage area
4. use cell phones, if there is coverage, and possibly lose communications with dispatch and other communications due to intermittent service (dangerous)
5. use walky-talkies (limited range)

Depending on the fire service area, leaving ALMR could also mean that they can no longer use the regional dispatch service.

¹ Includes holidays such as Alaska day, Veteran's day, Thanksgiving, and Christmas. With 13.5 FTEs each holiday day equals 101 hours.

February 13, 2012

Q4: A question on the Nome State Office Building funding. Was there funding in the amount of \$14.0 million appropriated last year? (Rep. Doogan)

A4: \$14.0 million was appropriated in FY12 for the Richard Foster Building for the purpose of housing and protecting the extensive inventory of photographs, artifacts and archives of the Carrie M. McLain Memorial Museum.

In FY08, funding in the amount of \$1.9 million was appropriated by the Department of Transportation for the Nome Office Building for preliminary design and acquisition of a building site. The Department of Administration has requested \$10.0 million in the FY13 budget for funding the continued planning, design, and construction of the Nome Office Building.

Q5: Please provide a follow up on motor vehicle registration tax collection by the Department of Motor Vehicles (DMV) within the Municipality of Anchorage. (Rep. Stoltze)

A5: The DMV is merely the collector of the local motor vehicle registration tax (MVRT). The DMV is not involved in the policy decisions for increasing or decreasing the tax amount. It is a local decision. The same holds true when it comes to the I/M program.

Communities regularly consider changing their MVRT rates. For instance, Fairbanks is currently considering a change to its MVRT. The DMV collects on behalf of 16 communities statewide, and informs the public of the change once the ordinance actually occurs and impacts the DMV and its customers.

The DMV informs the public of a change to the MVRT by indicating the specific tax amounts on all registration renewal notices sent out to residents of those areas. We also place the specific MVRT information on our web site.

The Municipality of Anchorage Assembly considered this change to the MVRT in late 2010. Once passed, the Assembly notified the DMV of the change as required under statute. The change to the MVRT was effective January 1, 2012.

I hope that your questions have been answered to your satisfaction. Please feel free to contact me if there are any additional items needing clarification.

Sincerely,



Becky Hultberg
Commissioner

cc: House Finance Committee Members

Alaska State Legislature
HOUSE FINANCE COMMITTEE

Agenda
1:30 PM

Tuesday, January 31, 2012

Department of Transportation and Public Facilities

Presenters:

Marc Luiken, Commissioner, Department of Transportation and Public Facilities
Mary Siroky, Director, Division of Administrative Services, Department of Transportation and Public Facilities

Department of Administration

Presenters:

Becky Hultberg, Commissioner, Department of Administration
Cheryl Lowenstein, Director, Division of Administrative Services, Department of Administration
Michael Barnhill, Deputy Commissioner, Department of Administration

Please note that Representative Guttenberg will participate in today's meeting via teleconference.

lu : Commissioner Luiken
hul : Commissioner Hultberg

1/31/12

Alaska Department of Administration Department Overview



Presentation to House Finance Committee

January 31, 2012

Commissioner Becky Hultberg

Strategic Plan Highlights

Mission: The mission of the Department of Administration is to provide consistent and efficient support services for state agencies.

Vision: As employees of the Department of Administration, we will provide innovative, cost-effective and responsive service.

Department Goals:

Service Excellence: Provide excellent program delivery through clear communication and respectful and responsive actions.

Spending Growth Reduction: Reduce the rate of spending growth to sustainable levels.

Effective and Efficient Delivery of Services: Implement strategies to achieve operational efficiencies.

Employee Development and Support: Encourage employee growth and development by providing leadership, training and resources in an atmosphere that fosters mutual trust and respect.

Core Values:

Integrity: We will be honest, transparent, and ethical.

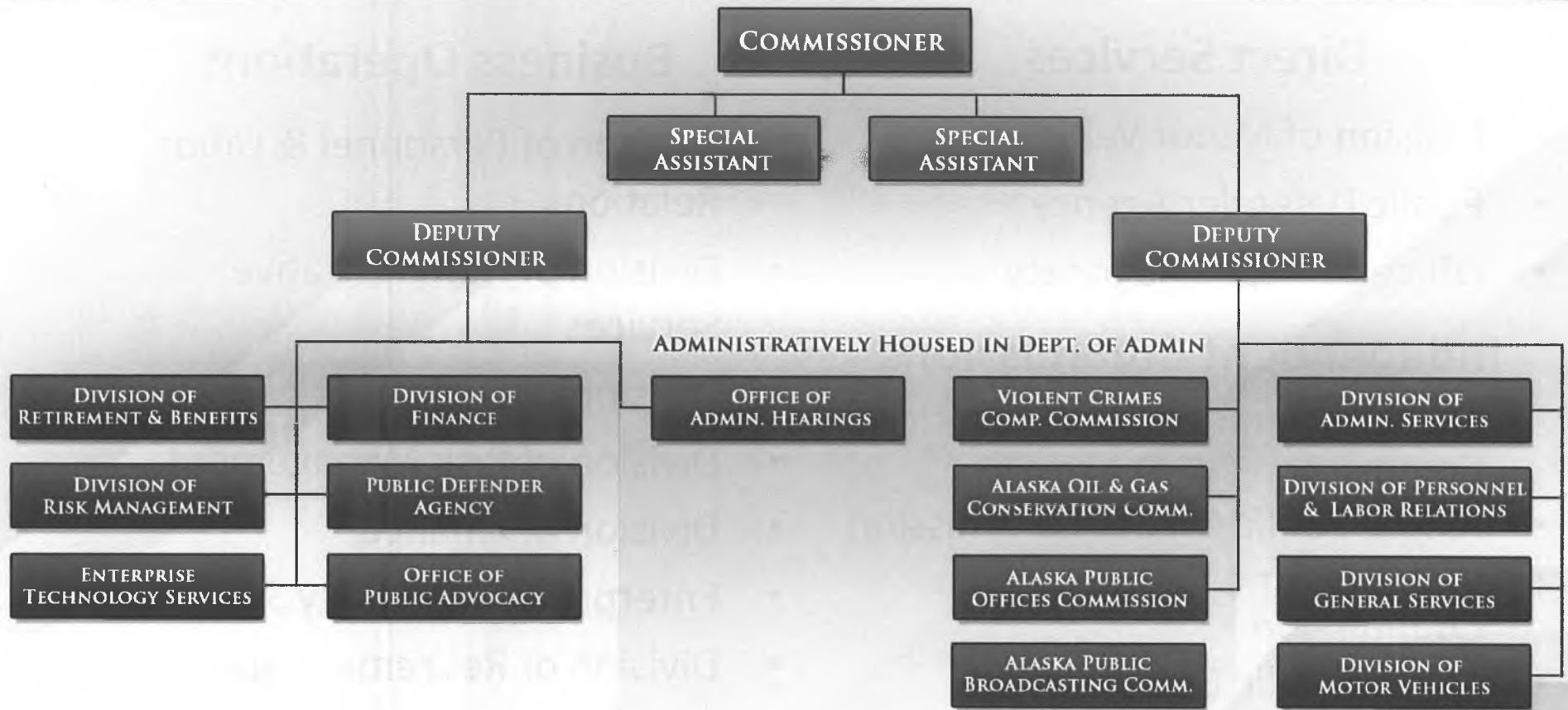
Service: We will provide excellent service.

Accountability: We will take responsibility for and ownership of the services we provide.

Balance: We will honor our commitments to our work and personal lives.



Organization Chart



Divisions & Commissions

Direct Services

- Division of Motor Vehicles
- Public Defender Agency
- Office of Public Advocacy

Independent Commissions

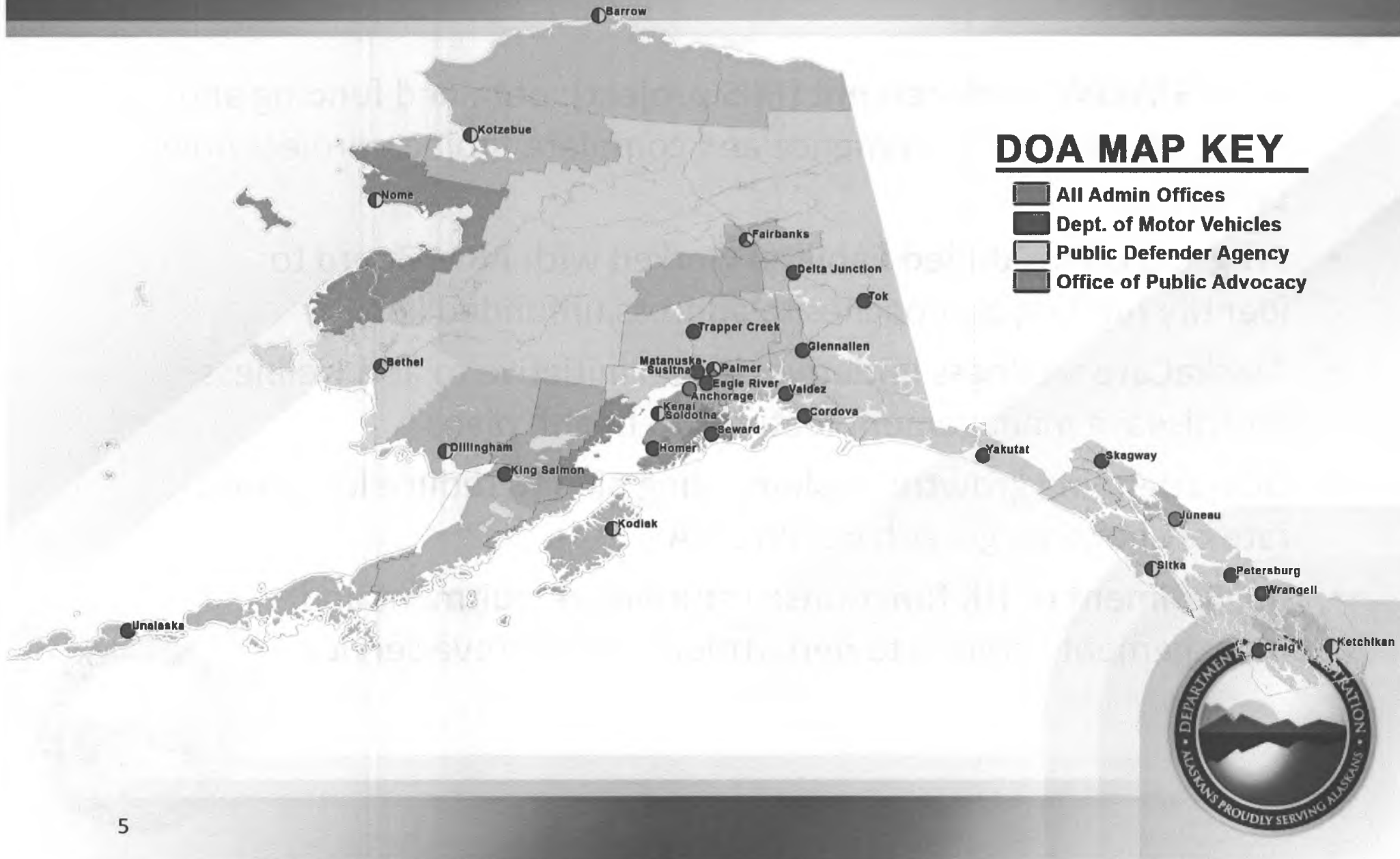
- Alaska Oil and Gas Conservation Commission
- Alaska Public Offices Commission
- Violent Crime Compensation Commission
- Alaska Public Broadcasting Commission
- Office of Administrative Hearings

Business Operations

- Division of Personnel & Labor Relations
- Division of Administrative Services
- Division of General Services
- Division of Risk Management
- Division of Finance
- Enterprise Technology Services
- Division of Retirement and Benefits



Service Across Alaska



Major Accomplishments

- **AKSAS/AKPAY replacement (IRIS project):** obtained funding and PCNs necessary to commence and complete project; project now underway
- **Progress on unfunded liability:** worked with ARM Board to identify funding approaches to address unfunded liability
- **AlaskaCare wellness initiative:** began initiative to add wellness and disease management features to health plans
- **DOA spending growth:** implementing plan to reduce long-term rate of spending growth within DOA
- **Realignment of HR functions:** returning recruitment and management services to departments to improve service



Major Accomplishments

- **ETS customer service:** worked to improve relationships with agency customers and reprioritize work based on department needs
- **Public Defender Agency conflict procedures:** developed and implemented new policies and procedures governing conflicts of interest
- **DMV license renewal by mail:** qualified customers can complete a driver's license or identification renewal application online, mail it to DMV, and receive a card through the mail with the updated expiration date
- **Office of Public Advocacy contractor costs:** instituted significant internal changes to level out variable contractor costs
- **Labor agreements:** reached voluntary agreement with five bargaining units



Priorities

- **Health care cost containment:** develop and implement a comprehensive health management plan for AlaskaCare active and retiree members
- **DOA rates:** evaluate DOA rate-setting process, restructure rates where necessary and align with budget process
- **Unfunded liability:** continue working with the Legislature, the ARM Board and other stakeholders to manage the state's obligations
- **Space utilization and planning:** assist the state in managing its \$50 million in lease costs by addressing appropriate space utilization



Priorities

- **Expansion of CASA volunteer program:** improve advocacy for Alaska's children in need of aid
- **IRIS project:** implement on time and on budget the administrative systems replacement project (replacement of payroll and accounting systems and implementation of new HR and procurement system)
- **Labor contracts:** successfully conclude negotiations with three bargaining units
- **ALMR:** conclude the acquisition of ALMR equipment from Department of Defense and place ALMR on a sound fiscal foundation



DOA Budget Trends

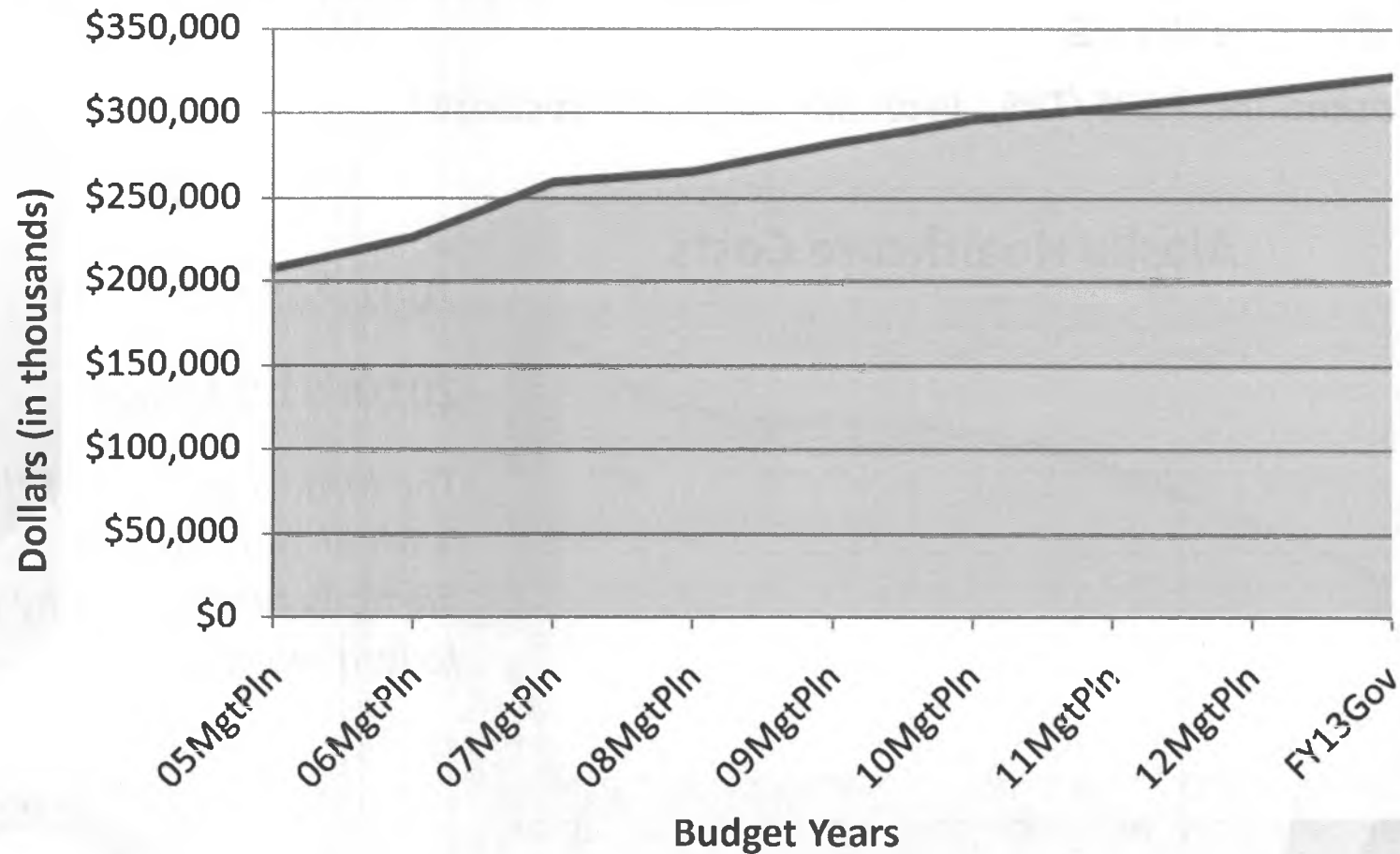
DOA Budget Growth, All Funds, FY05-FY13

	Average Annual Growth
General Services	6.40%
Centralized Admin Svcs	4.45%
Legal & Advocacy Services	8.35%
Enterprise Technology Services	4.06%
Risk Mgmt	5.09%
Motor Vehicles	7.73%
AK Oil & Gas Conservation Comm	5.70%
Public Communications Svcs	-0.94%
VCCC	6.41%
Special Systems	4.89%
Alaska Public Offices Comm	11.37%
State Facilities Rent	19.57%
AIRRES Grant	3.49%
ISF	0.00%
ETS Facilities Maint	0.00%
DOA Total	5.60%

DOA's long-term goal is to reduce the rate of budget growth to between 4 and 5% a year by increasing efficiency.



DOA Budget Total



DOA Budget (All Funds), FY05-FY13
Average Annual Growth: 5.6 %

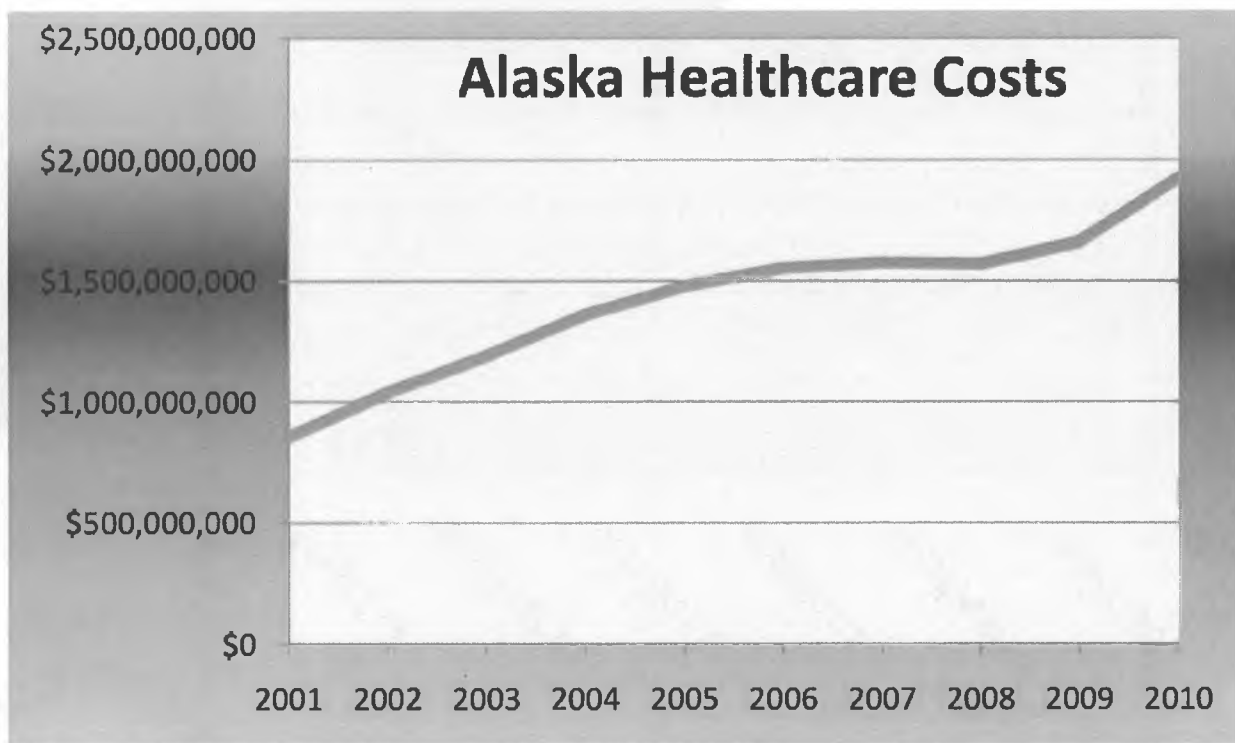


Big Picture Budget Issues

State of Alaska health care spend

State health care costs

(Medicaid, AlaskaCare, PERS/TRS, Workers Comp, Corrections)



2001: \$856 million

2010: \$1.9 billion

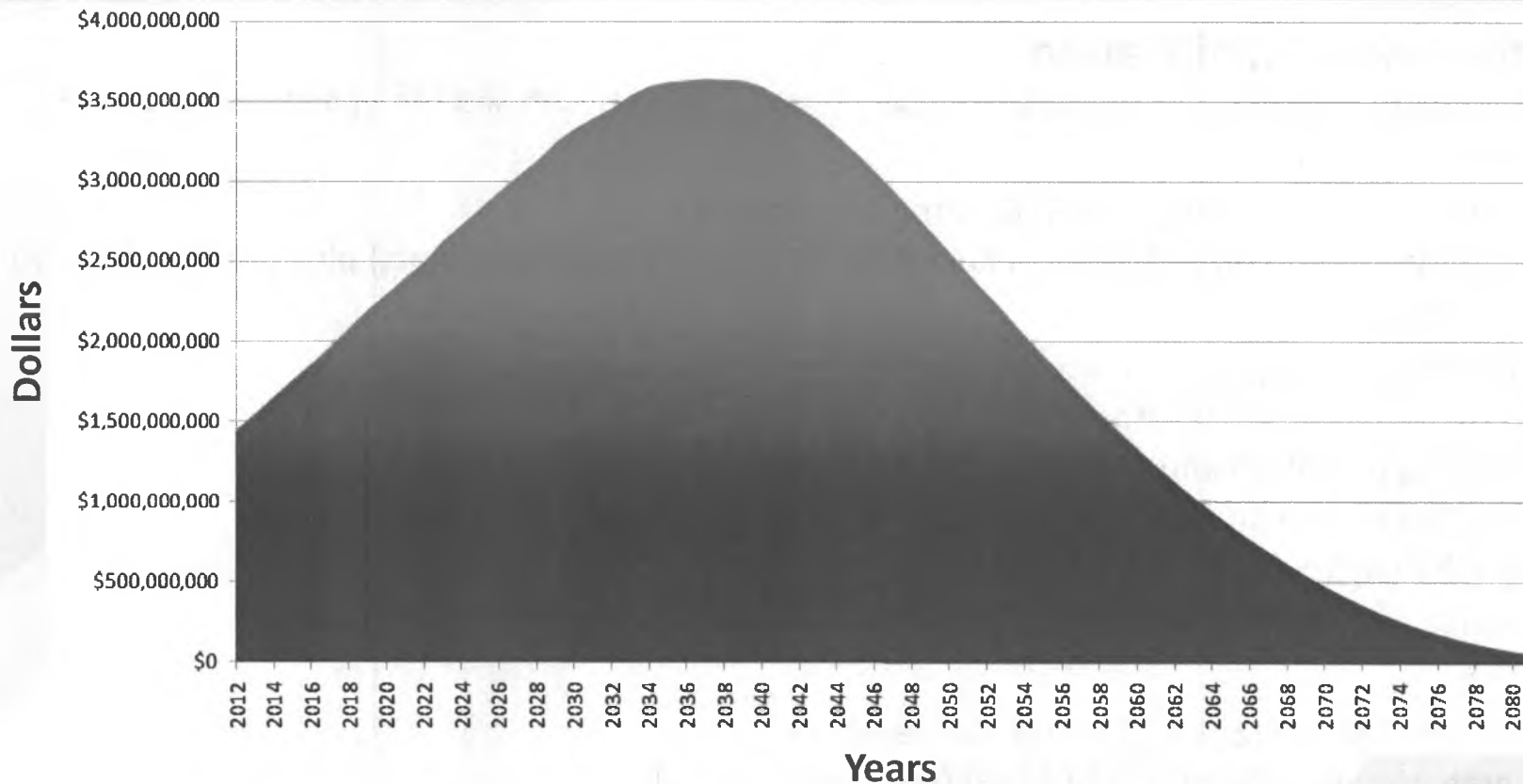
The largest portion of this is Medicaid which is partially reimbursed by the federal government.

The rate of growth of state health care costs, 2001-2010: 9.4% per year.



Big Picture Budget Issues

PERS and TRS promises made



Pay \$141 billion in benefits payments over next 70 years

Current PERS/TRS account balance: \$15.4 billion

Unfunded Liability: \$11.1 billion



FY 13 Budget Increments/Decrements

- **Health Plans Administration**
 - Third Party Administrator contract increases: \$440.5 (Group Health and Life Benefits Fund/Other)
- **DMV**
 - Costs for server hosting: \$74.5 (GF/Program receipts)
 - Establish state operated office in Kotzebue: \$87.5 (GF/Program receipts) plus one PFT position
- **General Services**
 - Central Mail postage increase: \$80.0 (Other)
 - Lease costs: \$2,500.0 (Other)
 - Facilities operation and maintenance costs: \$750.0 (Other)
 - Facilities administration: \$80.0 (Other)
- **Office of Public Advocacy**
 - John R. Justice Program: \$150.0 (federal)
- **Finance**
 - IRIS position authority: \$1,500.0 (CIP receipts)
 - Databasics decrement: (\$112.5) (GF/Program receipts)
- **APOC**
 - One time personal services and travel increase: \$68.1 (UGF)
- **AOGCC**
 - Increased travel for regulatory oversight: \$36.3 (AOGCC receipts/DGF)



FY 13 Capital Requests

- **Nome State Office Building and Courthouse: \$10,000.0**
- **Repair State Office Building Parking Garage, Phase 1 of 3: \$2,500.0**
- **Alaska Geologic Materials Center Replacement Facility: \$4,000.0**
- **Douglas Island Building Renovation, Phase 1 of 3: \$9,200.0**
- **ETS bandwidth monitoring: \$800.0**
- **ETS bandwidth improvement for rural sites: \$1,500.0**
- **DMV driver knowledge testing system: \$550.0**
- **Statewide deferred maintenance, renewal, repair and equipment Projects: \$7,250.0 UGF and \$3,000.0 PBF**
- **Division of Retirement and Benefits capital projects: \$1,013.0**



Thank you!

www.DOA.alaska.gov for more information.

Questions?

