

02/05/16

BUDGET

OVERVIEW

FY 17:

DEPARTMENT OF

ADMINISTRATION

<TARGET><BILL></BILL><SUBJECT>02-05-16 BUDGET OVERVIEW
FY 17 DEPARTMENT OF
ADMINISTRATION</SUBJECT><COMM>HFIN29</COMM></TARGET>



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Administration

SHELDON FISHER, COMMISSIONER

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March 8, 2016

The Honorable Mark Neuman, Co-Chair
House Finance Committee
Alaska Capitol Building, Room 505
Juneau, Alaska 99801

Dear Representative Neuman,

Thank you for the opportunity to present an overview of the Department of Administration to the House Finance Committee. During our discussion on February 5th, there were questions brought up that we did not immediately have the answer to. Here are those responses:

Question 1, Rep. Wilson: Please provide how many cases each guardian ad litem has and how many cases each public guardian has; if you have conflict attorneys please provide the number of attorneys assigned to conflict cases.

Answer 1: Office of Public Advocacy staff GALs average 120 children per GAL. OPA Public Guardians average 87 wards per PG. The nationally recommended maximum is 40 wards per PG. Many states cap PG caseloads at 25-30 wards per PG. Public Defenders handle on average 248 cases per year. By definition all OPA attorneys are conflict attorneys and OPA handles all the conflict cases.

Question 2, Rep. Wilson: Is drivers licensing being done with an international company? How does that impact Alaskans? How are they keeping our privacy and protecting our personal information from going somewhere else? Are we saving money? The contract is up for renewal in about 1 year, what are our plans?

Answer 2: In 2012, DMV entered into a contract with Marquis ID Systems (MIDS), an American company headquartered in Fort Wayne, Indiana to issue all of Alaska's driver licenses and IDs. MIDS was acquired in 2014 by Gemalto, an international company. Our contract with MIDS specifies that our data is stored in the US. All data for DMV-verified license/ID applications is received nightly in a secure, encrypted form. The records are stored on their internal secured servers. There is a strict retention policy in place, and after the license/ID is mailed to the customer, the record is retained for 30 days in case re-prints are required. After 30 days, the entire record of DMV data is deleted.

The impact on Alaskans is very positive. Alaska's licenses are well designed with multiple security layers, anti-counterfeit features and issued in the most secure manner using best practices of the motor vehicle industry. Alaska's ID vendor uses secure card printing facilities and IT infrastructure to assure the privacy and protection of Alaska card files sent for printing and adherence to industry best practice in the production of secure, high quality photo identification cards.

FY2015 was the first year DMV paid for card production under this contract. The FY2015 figure for card production was \$463K and is very close to the cost DMV anticipated and budgeted.

In December of 2016, DMV will issue a Request for Proposal for driver license and ID card printing services. This will be an open solicitation overseen and effected by state procurement officers. Selection criteria will include demonstrated ability to handle the volume of card production required by DMV Alaska in a timely and efficient manner, a proven track record of service reliability, appropriately secure card printing facilities and IT infrastructure to assure the privacy and protection of Alaska card files sent for printing, and adherence to industry best practice in the production of secure, high quality photo identification cards. Cost effectiveness will also be evaluated—initial setup costs associated with any transition of service and ongoing unit production costs associated with the period of performance of the contract in question (typically 3 years).

Question 3, Co-Chair Neuman: Is there a way that DOA can assist school districts with maintenance?

Answer 3: Currently, the Facilities Shared Services program is actively addressing ways to share maintenance among state departments. At this time, the scope of the program does not include non-state agencies, but we would be willing to explore options.

Question 4, Rep. Gara: In FY12 to FY15 Guardian Ad Litem cases have nearly doubled and the staff has not gone up. Are the Guardian Ad Litem able to spend any time with the children? Are they being fairly and adequately represented in court? Is it accurate that the Guardian Ad Litem is the highest in the nation? How do we rank nationwide?

Answer 4: GAL caseloads have increased dramatically. GALs are still able to visit most children within the first 5-10 days after appointment. This is not always possible for children in very remote areas of our state. GALs are able to adequately represent children in court at this time; however, current caseloads make it impossible for the GALs to spend as much time as they would like with children. While GALs are meeting their minimum obligations, this will not be possible at current staffing levels if caseloads continue to rise.

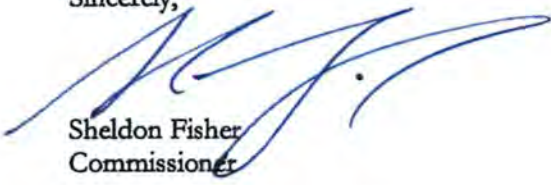
It is difficult to compare GAL caseloads around the nation because systems vary greatly by jurisdiction. National best practices suggest a maximum GAL caseload of 60-80 children per GAL. At 120 children per GAL, Alaska GAL caseloads are among the highest caseloads in the nation.

Question 5, Rep. Saddler: A previous administration had begun evaluating the possibility of covering Autism in the state's health plan and the cost and benefit of doing that. Does DOA have an update of the status?

Answer 4: DOA is researching actuarial costs and gathering other information necessary to consider whether to put the issue before the HBEC for evaluation. A 2012 presentation by the state's actuarial consultant evaluated issues around cost impact, Mental Health Parity, Patient Protection and Affordable Care Act, and other issues. To our knowledge, the Parnell Administration did not proceed further.

We appreciate the opportunity to discuss these issues and apologize for the delay in response. If there is anything else we can provide the committee, please do not hesitate to contact my office.

Sincerely,



Sheldon Fisher
Commissioner

cc: Darwin Peterson, Legislative Director, Governor Bill Walker
Representative Lynn Gattis, Chair, House Finance Administration Subcommittee



ALASKA STATE LEGISLATURE
HOUSE FINANCE COMMITTEE

State Capitol, Room 519

Rep. Mark Neuman, Co-Chair

Rep. Steve Thompson, Co-Chair

Friday, February 5, 2016

1:30 PM

Agenda:

FY17 Budget Overviews:

Department of Commerce, Community and Economic Development

Presenting in Person:

Chris Hladick, Commissioner, Department of Commerce, Community, and Economic Development

Catherine Reardon, Director, Division of Administrative Services, Department of Commerce, Community and Economic Development

Department of Administration

Presenting in Person:

Sheldon Fisher, Commissioner, Department of Administration

Leslie Ridle, Deputy Commissioner, Department of Administration

Available for Questions in person:

Cheryl Lowenstein, Director, Division of Administrative Services, Department of Administration

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ALASKA DEPARTMENT OF ADMINISTRATION DEPARTMENT OVERVIEW

Presentation to

**House Finance
Committee**

February 5, 2016

Commissioner Sheldon Fisher

Deputy Commissioner Leslie Ridle

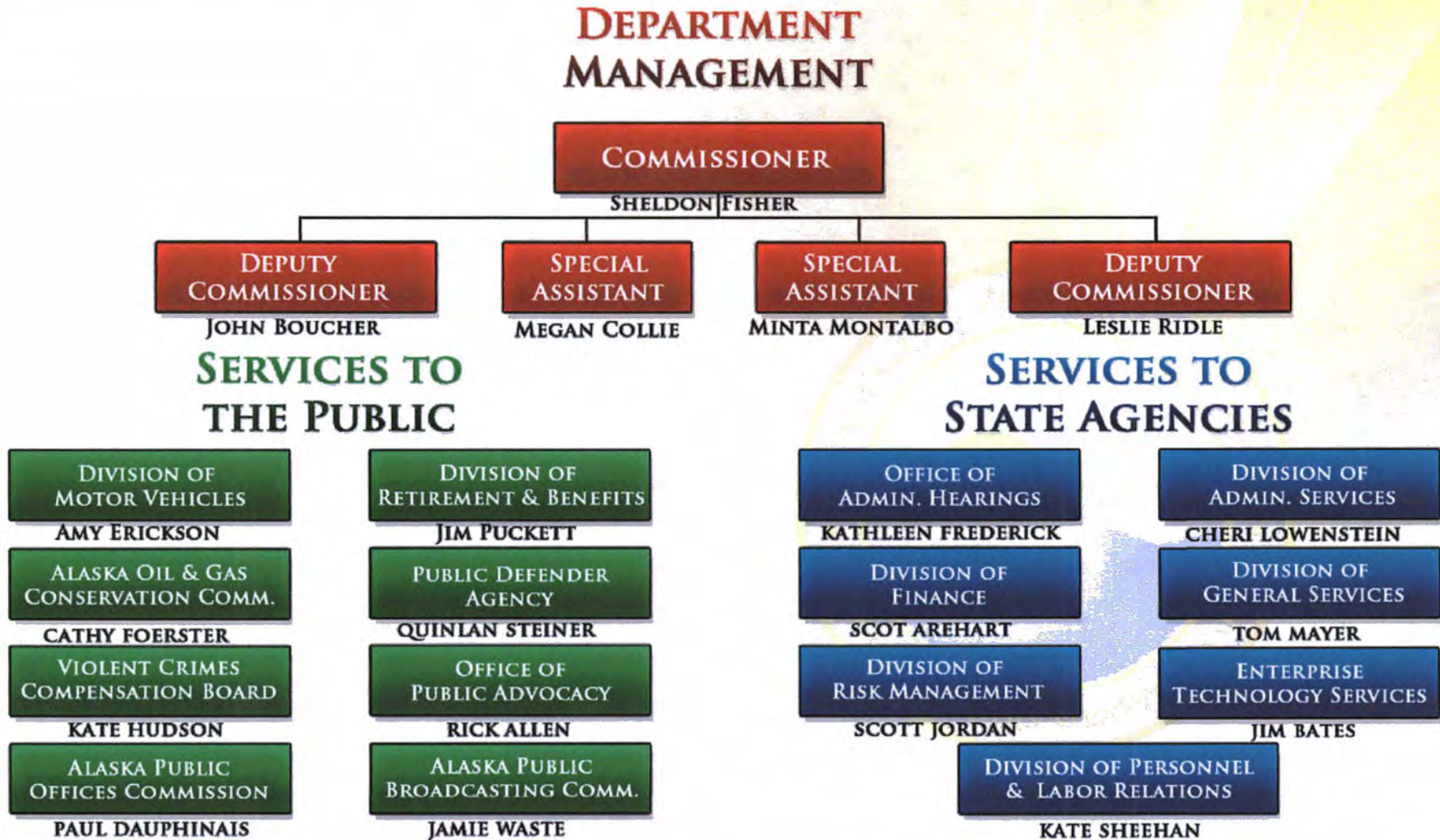
Deputy Commissioner John Boucher

Director Cheri Lowenstein



DOA MISSION AND ORGANIZATION

Mission: The mission of the Department of Administration is to provide consistent and efficient support services to state agencies so that they may better serve Alaskans.



DOA BUDGET REDUCTIONS BY COMPONENT

(UNDESIGNATED GENERAL FUND ONLY)

Administration	FY15 Management Plan	FY16 Management Plan	FY17 Governor	% Change
Non-Formula without OPA / PD				
Office of Administrative Hearings	420.4	265.2	155.2	-63%
General Services	3,439.8	1,822.1	1,501.6	-56%
Alaska Public Offices Commission	1,395.2	790.5	790.5	-43%
ETS/SATS/ALMR	10,769.0	7,542.6	7,113.8	-34%
DAS, CO, DOA-IT, Fac Rent, DOA Leases, Central HR	4,339.9	2,919.9	2,904.1	-33%
Personnel, Labor Relations / Labor Agreements	4,286.4	3,898.5	2,938.3	-31%
Finance / E-Travel	6,236.5	6,339.0	4,951.0	-21%
Retirement & Benefits	228.9	249.0	241.5	6%
Total	\$31,116.1	\$23,826.8	\$20,596.0	-34%
Legal and Advocacy Services				
Office of Public Advocacy	23,803.5	23,637.5	22,997.3	-3%
Public Defender	25,963.3	25,481.8	24,210.5	-6.8%
Total	\$49,766.8	\$49,119.3	\$47,207.8	-5.1%
Public Communications Grants				
Alaska Public Broadcasting / AIRRES	5,147.3	4,331.1	3,510.5	-32%
Formula Program				
Special Systems	2,148.1	2,026.3	1,925.1	-10%
Unallocated Reduction				
Unallocated Reduction	0.0	0.0	-957.1	
Total Department Operating	\$88,178.3	\$79,303.5	\$72,282.3	-18%

DOA FY17 BUDGET INCS, DECS

Finance	PosAdj	Delete Analyst/Programmer IV (02-N12016) No Longer Needed		-		-1
Personnel	PosAdj	Delete Eight PCNs (05-7167, 12-4205, 11-0272, 02-IN0901, 02-IN0902, 02-IN0903, 02-IN1201, 02-N08033)		-	-3	-5
DRB	Inc	Ongoing Actuarial Costs	UGF	75.5		
DRB	Inc	Increased Costs for Audit Services	OTHER	100.0		
DRB	Inc	Increased Costs for Information Technology Services	OTHER	50.0		
Health Plans Admin.	Inc	Third Party Administrator Costs	OTHER	2,400.0		
DGS / Purchasing	PosAdj	Delete Publications Technician II (02-5139)		-	-1	
DGS / Property Mang.	Trout	Transfer Stockhandler (02-5095) to the Office of Public Advocacy		-	-1	
DGS / Facilities	Dec	Eliminate Subsidy to Linn Pacillo Parking Garage and Nome State Office Building	UGF	(292.2)		
SS / EPORS	Dec	Reduce Retirement Funding For Elected Public Officers	UGF	(98.9)		
ETS / SATS	Dec	Reduce Services Consumed for Maintenance and Operations	UGF	(247.7)		
ETS / ALMR	Dec	Reduce Funding for Maintenance Contract	UGF	(121.1)		
ETS / ALMR Pmts for Munis	Dec	Reduce PoliSub Participation in Alaska Land Mobile Radio	UGF	(60.0)		
Public Broadcasting - Radio	Dec	Reduce Grant Funding for Public Radio	UGF	(750.0)		
OPA	Dec	Reduce Contract Costs Through Reutilization of Staff	UGF	(640.2)		
OPA	Trin	Transfer Stocks and Parts Services III (02-5095) from Property Management to Serve as an Attorney in the Palmer Office		-	1	
OPA	Atrin	Add Three Attorneys (02-#003, 02-#004, 02-#005) for Office of Public Advocacy Restructuring		-	3	
OPA	Inc	Increased Receipts for Appointed Counsel	DGF	250.0		
OPA	Inc	Increase Public Guardian Fees	OTHER	500.0		
PDA	Dec	Centralize Agency Functions	UGF	(1,271.3)		
PDA	Inc	Increase Receipts for Appointed Counsel	DGF	510.0		
DMV	Atrin	Transfer Office Assistant II (08-2226) from the Department of Commerce, Community, and Economic Development			1	

DOA SERVICES TO THE PUBLIC

- **Public Defender Agency (PDA)**
 - **AGENCY LEAD:** Quinlan Steiner
 - **ROLE:** Provide constitutionally mandated legal representation to indigent clients appointed by the court.
 - **FY2017 Governor budget:** \$25,725.0
 - **Undesignated General Funds** \$24,210.5
 - **Designated General Funds** \$823.7
 - **InterAgency Funds** \$497.0
 - **Other Funds Includes Fed** \$193.8
 - **POSITIONS:** PFT 174; PPT 1; NP 12
- **Office of Public Advocacy (OPA)**
 - **AGENCY LEAD:** Rick Allen
 - **ROLE:** Conflict counsel for PDA, Guardian Ad Litem (GAL) program, and Child in Need of Aid (CINA) program
 - **FY2017 Governor Budget:** \$25,423.6
 - **Undesignated General Funds** \$22,997.3
 - **Designated General Funds** \$380.7
 - **InterAgency Funds** \$572.3
 - **Other Funds Includes Fed** \$1,473.3
 - **POSITIONS:** PFT 127; PPT 2; NP 11
- **Div. of Motor Vehicles (DMV)**
 - **AGENCY LEAD:** Amy Erickson
 - **ROLE:** Title and registration of vehicles/trailers, driver testing and licensing, and Commercial driver licensing
 - **FY2017 Governor Budget:** \$16,882.4
 - **Undesignated General Funds** \$0.0
 - **Designated General Funds** \$16,731.1
 - **InterAgency Funds** \$151.3
 - **Other Funds Includes Fed** \$0.0
 - **POSITIONS:** PFT 148; PPT 8; NP 0
- **Div. of Retirement and Benefits (DRB)
Including Special Systems & Health Plan Admin**
 - **AGENCY LEADS:** Jim Puckett, Kathy Lea, Michele Michaud, and Keven Worley
 - **ROLE:** State employee, teacher, and political subdivision retirement plan administration, Health plan administration
 - **FY2017 Governor Budget:** \$45,957.4
 - **Undesignated General Funds** \$2,166.6
 - **Designated General Funds** \$0.0
 - **InterAgency Funds** \$0.0
 - **Other Funds Includes Fed** \$43,790.8
 - **POSITIONS:** PFT 115; PPT 0; NP 5

DOA SERVICES TO THE PUBLIC

- **Alaska Public Broadcasting Commission (APBC) & AIRRES Grants**

Includes Alaska Rural Communications Services

- **AGENCY LEAD:** Jamie Waste
- **ROLE:** Grants and administration of public television and radio to all parts of Alaska
- **FY2017 Governor Budget:** : \$3,610.5
- **Undesignated General Funds** \$3,510.5
- **Designated General Funds** \$0.0
- **InterAgency Funds** \$100.0
- **Other Funds Includes Fed** \$0.0
- **POSITIONS:** INDEPENDENT ENTITY

- **Violent Crimes Comp. Board (VCCB)**

- **AGENCY LEAD:** Kate Hudson
- **ROLE:** Grants to victims of violent crimes
- **FY2017 Governor Budget:** \$2,544.2
- **Undesignated General Funds** \$0.0
- **Designated General Funds** \$0.0
- **InterAgency Funds** \$0.0
- **Other Funds Includes Fed** \$2,544.2
- **POSITIONS:** PFT 3; PPT 0; NP 0

- **Alaska Oil and Gas Conservation Commission (AOGCC)**

- **AGENCY LEAD:** Cathy Foerster
- **ROLE:** To protect the public interest in exploration and development of Alaska's valuable oil, gas, and geothermal resources
- **FY2017 Governor Budget:** \$7,661.7
- **Undesignated General Funds** \$0.0
- **Designated General Funds** \$7367.6
- **InterAgency Funds** \$0.0
- **Other Funds Includes Fed** \$294.1
- **POSITIONS:** PFT 32; PPT 0; NP 1

- **Alaska Public Offices Commission (APOC)**

- **AGENCY LEAD:** Paul Dauphinais
- **ROLE:** Campaign and public official oversight agency
- **FY2017 Governor Budget:** \$1,030.5
- **Undesignated General Funds** \$790.5
- **Designated General Funds** \$240.0
- **InterAgency Funds** \$0.0
- **Other Funds Includes Fed** \$0.0
- **POSITIONS:** PFT 12; PPT 1; NP 0

DOA SERVICES TO STATE AGENCIES

- **Div. of General Services (DGS)**
 - **AGENCY LEAD:** Tom Mayer
 - **ROLE:** Manage 12 buildings in the Public Building Fund (PBF) and 6 Non-PBF buildings, manage & administer 400+ leases, procurement & contract support for state and political subdivision purchasing
 - **FY2017 Governor Budget:** \$75,711.2
 - **Undesignated General Funds** \$1,501.6
 - **Designated General Funds** \$536.6
 - **InterAgency Funds** \$55,607.4
 - **Other Funds Includes Fed** \$18,065.6
 - **POSITIONS:** 7PFT 66; PPT 3; NP 0
- **Enterprise Technology Services (ETS)**
Including State of Alaska Telecommunications System and Alaska Land Mobile Radio
 - **AGENCY LEAD:** Jim Bates
 - **ROLE:** Statewide IT infrastructure maintenance and operations (M&O), cyber security, and Telecommunication, network, mainframe service and technical support
 - **FY2017 Governor Budget:** \$46,533.0
 - **Undesignated General Funds** \$7,113.8
 - **Designated General Funds** \$150.0
 - **InterAgency Funds** \$0.0
 - **Other Funds Includes Fed** \$39,269.2
 - **POSITIONS:** PFT 123; PPT 0; NP 0
- **Division of Personnel and Labor Relations (DOPLR)**
 - **AGENCY LEAD:** Kate Sheehan
 - **ROLE:** Managed central HR, payroll timekeeping, recruitment and job classification studies, labor relations, contract bargaining, and training
 - **FY2017 Governor Budget:** \$15,209.5
 - **Undesignated General Funds** \$2,888.3
 - **Designated General Funds** \$0.0
 - **InterAgency Funds** \$12,201.4
 - **Other Funds Includes Fed** \$119.8
 - **POSITIONS:** PFT 131; PPT 4; NP 2
- **Division of Finance (DOF)**
 - **AGENCY LEAD:** Scot Arehart
 - **ROLE:** Maintain the statewide financial/payroll systems, as well as e-travel program, compile the Comprehensive Annual Finance Report (CAFR) and statewide single audit, lead on Integrated Resource Info. System (IRIS)
 - **FY2017 Governor Budget:** \$15,227.0
 - **Undesignated General Funds** \$4,951.0
 - **Designated General Funds** \$1,198.1
 - **InterAgency Funds** \$7,018.4
 - **Other Funds Includes Fed** \$2,059.5
 - **POSITIONS:** PFT 62; PPT 0; NP 6

DOA SERVICES TO STATE AGENCIES

- **Division of Administrative Services (DAS)**
 - **AGENCY LEAD:** Cheri Lowenstein
 - **ROLE:** Provides budget, financial, and procurement services to DOA, oversees DOA Information Technology (IT), oversees VCCB staff and APBC grants
 - **FY2017 Governor Budget:** \$2,864.5
 - **Undesignated General Funds** \$626.9
 - **Designated General Funds** \$0.0
 - **InterAgency Funds** \$2,237.6
 - **Other Funds Includes Fed** \$0.0
 - **POSITIONS:** 15
- **Division of Risk Management (DRM)**
 - **AGENCY LEAD:** Scott Jordan
 - **ROLE:** Manage insurance administration for State assets, indemnification language review, claims adjusting and litigation management, return to work program
 - **FY2015 Management Plan:** \$41,254.4
 - **Undesignated General Funds** \$0.0
 - **Designated General Funds** \$0.0
 - **InterAgency Funds** \$41,254.4
 - **Other Funds Includes Fed** \$0.0
 - **POSITIONS:** 5
- **Office of Administrative Hearings**
 - **AGENCY LEAD:** Kathleen Frederick
 - **ROLE:** Appeal and adjudication services by Administrative Law Judges
 - **FY2017 Governor Budget:** \$2,545.5
 - **Undesignated General Funds** \$155.2
 - **Designated General Funds** \$50.0
 - **InterAgency Funds** \$2,340.3
 - **Other Funds Includes Fed** \$0.0
 - **POSITIONS:** 16

CORE INITIATIVES

Labor Negotiations - Remain competitive and balanced

Health Care Spend – Continue to address challenges presented by rising costs

Shared Services

- Improve employee productivity
- Achieve Purchasing Efficiency
- Information Technology (IT) – Improved services and cost

Improve Facility Management

CHALLENGES

Enable OPA/PDA - Satisfy constitutionally-mandated services

Maintain ALMR

LABOR NEGOTIATIONS



BARGAINING UNIT (BU) DETAIL

Bargaining Unit	Business Lead	# Emp in 2015	% of Total
Currently Negotiating			
LTC - Public Employees, Local 71	Dennis Moen	1,654	10.5%
ASEA - Alaska State Employees Association	Jim Duncan	8,125	51.3%
APEA - Alaska Public Employees Association	Pete Ford	2,304	14.6%
CEA - Confidential Employees Association	Pete Ford	182	1.2%
Non-Covered			
Non-Covered - Exempt, Partially Exempt and Excluded		1,300	8.2%
TOTAL EMPLOYEES AT ISSUE IN CURRENT NEGOTIATIONS		13,592	86%
Reached Tentative Agreement			
TEAME – Teachers' Education Assoc. of Mt. Edgecumbe	Christy Anderson	27	0.2%
Fall 2016 Negotiations			
			3.2%
AVTECTA - AK Vocational Technical Center Teachers	Dale Butts	33	0.2%
PSEA - Public Safety Employees Association	Jake Metcalfe	480	3.0%
Fall 2017 Negotiations			
			4.8%
IBU – Inlandboatmen's Union of the Pacific	Joshua Stephenson	565	3.6%
MEBA - Marine Engineers Beneficial Association	Ben Goldrich	92	0.6%
MMP - Masters, Mates and Pilots	Shannon Adamson	96	0.6%
Fall 2019 Negotiations			
			5.9%
ACOA - Alaska Correctional Officers Association	Brad Wilson	941	5.9%
GRAND TOTAL		15,826	100%

86% of State employees are impacted by current round of negotiations

* # of Employees based on filled positions, not total positions w/vacancies

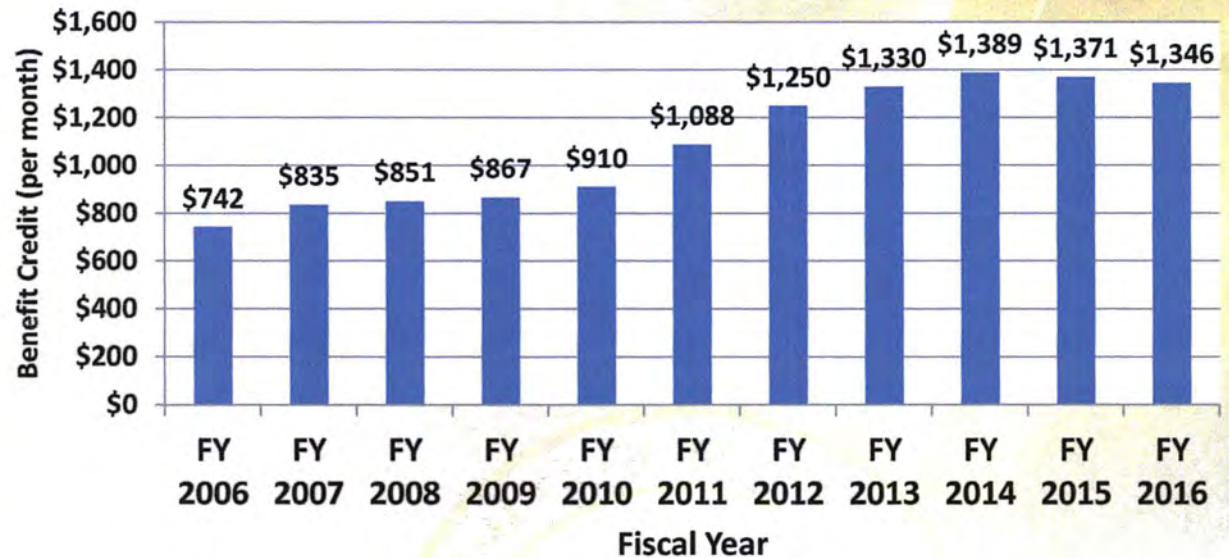
DOPLR – CURRENT STATUS OF CONTRACTS

- **Marine Engineers' Beneficial Association (MEBA)**
 - Reached tentative agreement July 2014 for cost of living adjustment (COLA) of 0% in 2014, 1% in 2015, and 2% in 2016. Legislature approved contract in 2015. MEBA has yet to send contract to members for a vote. Mediation is pending.
- **Teachers' Education Association of Mt. Edgecumbe (TEAME)**
 - Reached tentative agreement in December 2015 for cost of living adjustment (COLA) of 0% in 2016 and 0% in 2017.
- **Labor Trades and Crafts (LTC) - Public Employees, Local 71**
 - Currently in negotiations. Contract expired June 30, 2015.
- **Alaska State Employees Association (ASEA)**
 - Currently in negotiations. Contract expires June 30, 2016.
- **Alaska Public Employees Association (APEA)**
 - Currently in negotiations. Contract expires June 30, 2016.
- **Confidential Employees Association (CEA)**
 - Currently in negotiations. Contract expires June, 2016.

HEALTHCARE SPENDING

STATUS OF ALASKACARE HEALTH PLAN

- Five year effort to proactively manage costs
- FY15 saw dip in costs due to third party administrator change
- Future rates need to increase unless there are substantial plan design changes



AlaskaCare

- 5 year cost trend (FY11 – FY15): 6.27%
- FY15 reserves: \$31 million (2.9 months of reserves)
- Plan has reserve deficit
 - State has been trending rates lower (\$1389 in FY14 to \$1346 in FY16)
 - Rates set too low for FY16

MITIGATION MEASURES

1. Negotiate better rates with providers

- Currently in negotiations with Alaska Regional and Providence

2. Employee Contributions

- Nationwide state employee average contribution: 16% of premium
- Alaska should work toward standard percentage that all employees pay

3. Plan Design

- As premiums get more expensive for employer and employees
 - Adopt more affordable plan designs
 - Standard size deductibles, i.e., \$1000+

4. Employer Contributions

- Examine potential increase in employer contributions

5. Audit dependents

- AlaskaCare will be auditing dependents in first quarter of 2016
- We are expecting to find ineligible dependents that are costing the plan

SHARED SERVICES



CURRENT STATE: DECENTRALIZED

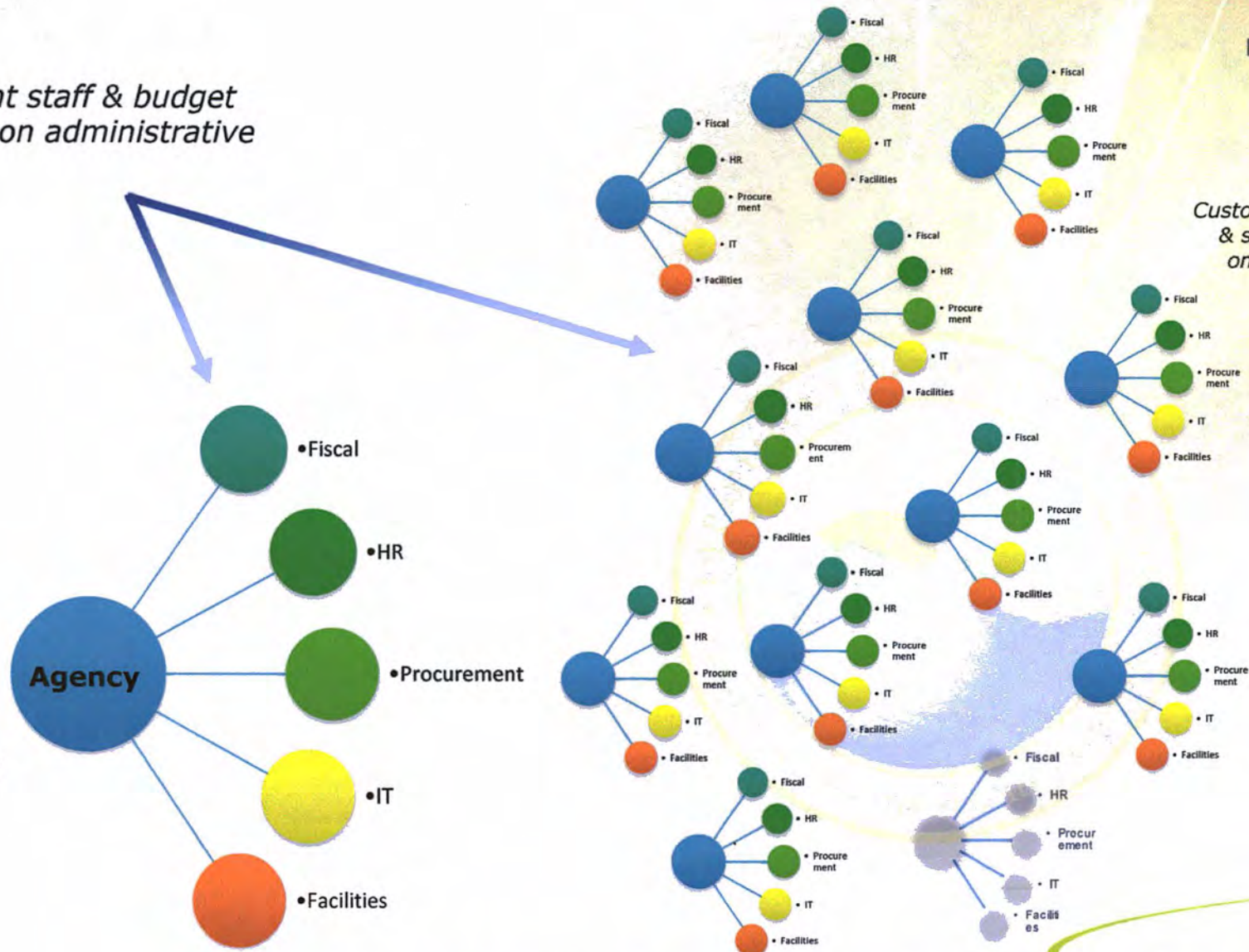
Redundant staff & budget for common administrative tasks.

Back Office Functions

Customer budget & staff focused on back-office functions.

Mission Critical Topics

Customer budget & staff focused on mission critical topics.



IT CONSOLIDATION: CROSS-AGENCY IT PROJECTS

Working with the agency IT groups, ETS and the office of the CIO identified four cross-agency IT initiatives deemed most likely to deliver short and long term savings to the State. Those projects include:

1. **Rural Bandwidth Initiative**: An effort to reduce costs and provide improved services to rural Alaska, the State has begun the deployment of a secure, feature-rich, private and State-managed network service that makes use of consumer broadband infrastructure to deliver quicker network services at speeds 400 times faster than previously available. Estimated savings: \$800,000 at full deployment.
2. **Mainframe Assessment**: Led by ETS, the State engaged a contractor to assess and analyze the available options for its mainframe services. Recently the contractor delivered a recommended roadmap that could provide estimated savings in FY17 of \$400,000 with a potential \$1.5 million in savings from FY16 costs over 4 years
3. **Office 365**: Project to migrate State messaging services to an outsourced, cloud-based solution with Microsoft. The project is currently in the fourth of six phases and is scheduled for completion at the end of the current calendar year.
4. **Data Centers/Storage**: A multi-faceted project aimed at conducting a statewide inventory and recommendations regarding the State's current and future datacenter infrastructure needs. The inventory assessment was completed in December with an initial set of recommendations scheduled for delivery by early February.

IT CONSOLIDATION - PROCUREMENT

Statewide IT Spend Review Board

- All IT procurements over \$25,000 to be reviewed by an IT Spend Review Board
 - Initial focus will be on commodity spend
 - “Soft launch” January

Contractual Spend

- Identification and consolidation of decentralized IT contractual costs

FACILITIES MANAGEMENT

DGS – OFFICE SPACE PORTFOLIO

Statewide data

- DOA owns: 1,643,562 square feet (ground, warehouse, office, lab, parking, etc.)
- DOA leases: 3,839,255 total square feet
 - 239 total number of leases
 - \$49,274,995 total annual cost

Steps taken to reduce lease cost:

- Requested agencies provide input about reducing the scope of janitorial in the hopes of negotiating a lower monthly rate.
- Attempting to share space with multiple departments versus acquiring new space.
- Carefully reviewing all renewals and 083's.
- Not renewing leases as requested by agencies who are closing or consolidating their offices.
- Negotiating lease extension rates at 10% or more below brokers opinion of value.
- Relocating agencies into SOA owned buildings versus renewing/taking options on existing leases.
- Negotiating Government to Government leases when possible to provide lower cost lease space.
- No new RFP solicitations for lease space since 2013 all regions.
- Negotiating with Lessors cancelation/buyouts and early termination agreements when possible.
- Monitoring & tracking all current vacant/potential vacant lease space, working with Lessors to find sub-let tenants where possible.

Income opportunity: space rental at LPPG (Linny Pacillo Parking Garage)

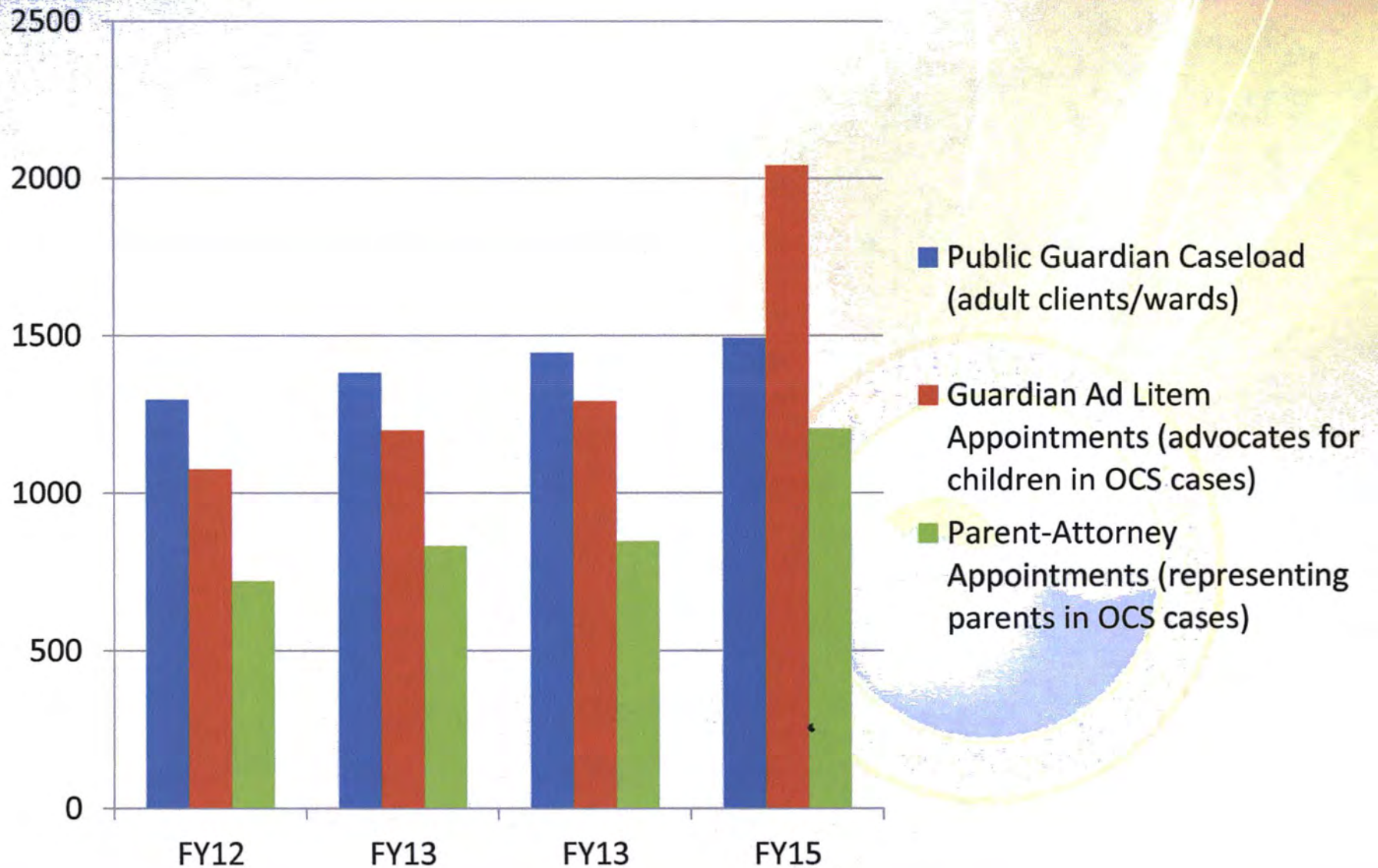
Purpose: To offset operating cost and agency lease rates

- \$10,000-\$20,000 – monthly private tenants
- \$30,000-\$40,000 – hourly day parking

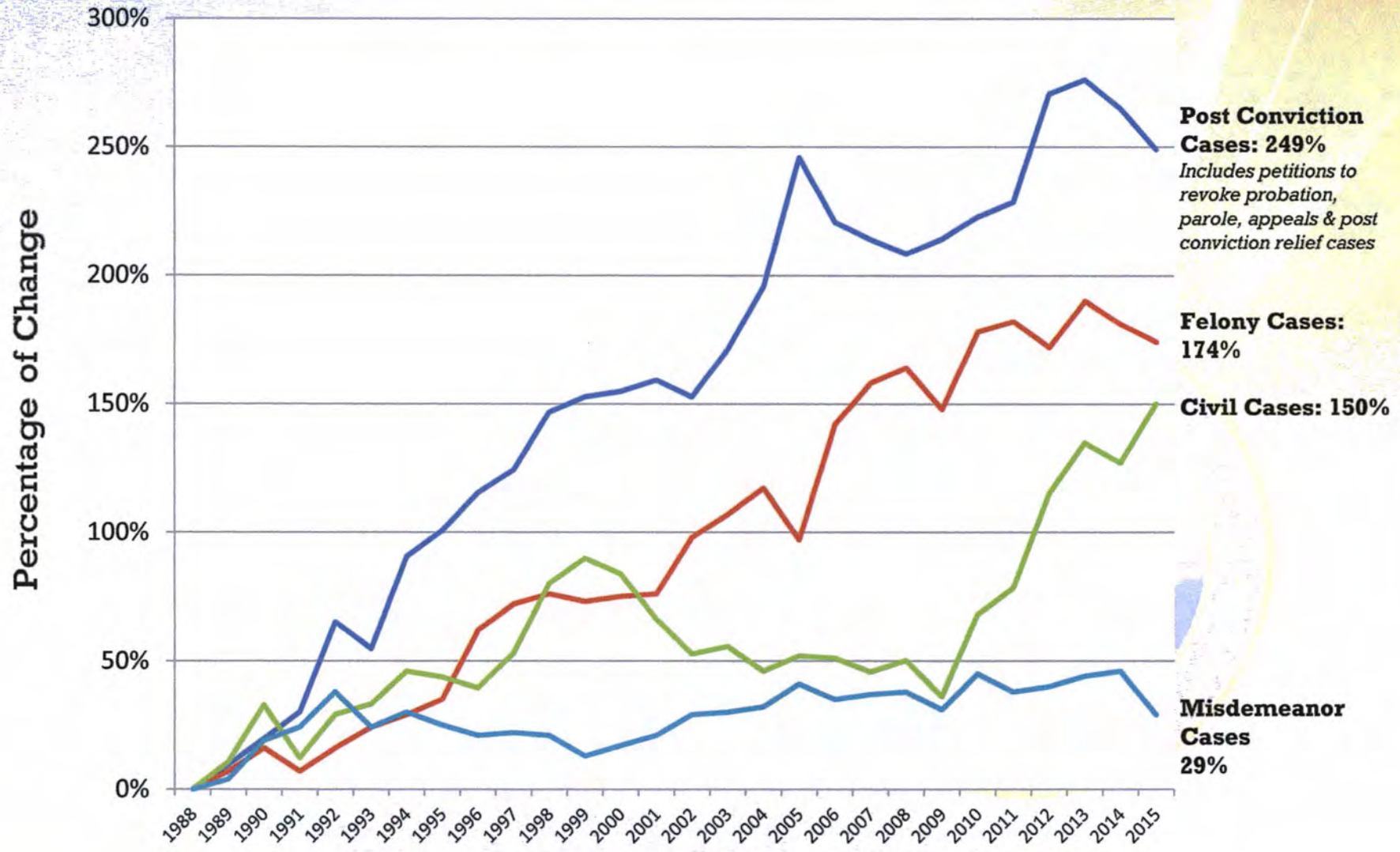
CHALLENGES



OPA CASELOADS



PDA HISTORICAL CASELOAD GROWTH



Thank you!

Visit www.DOA.alaska.gov

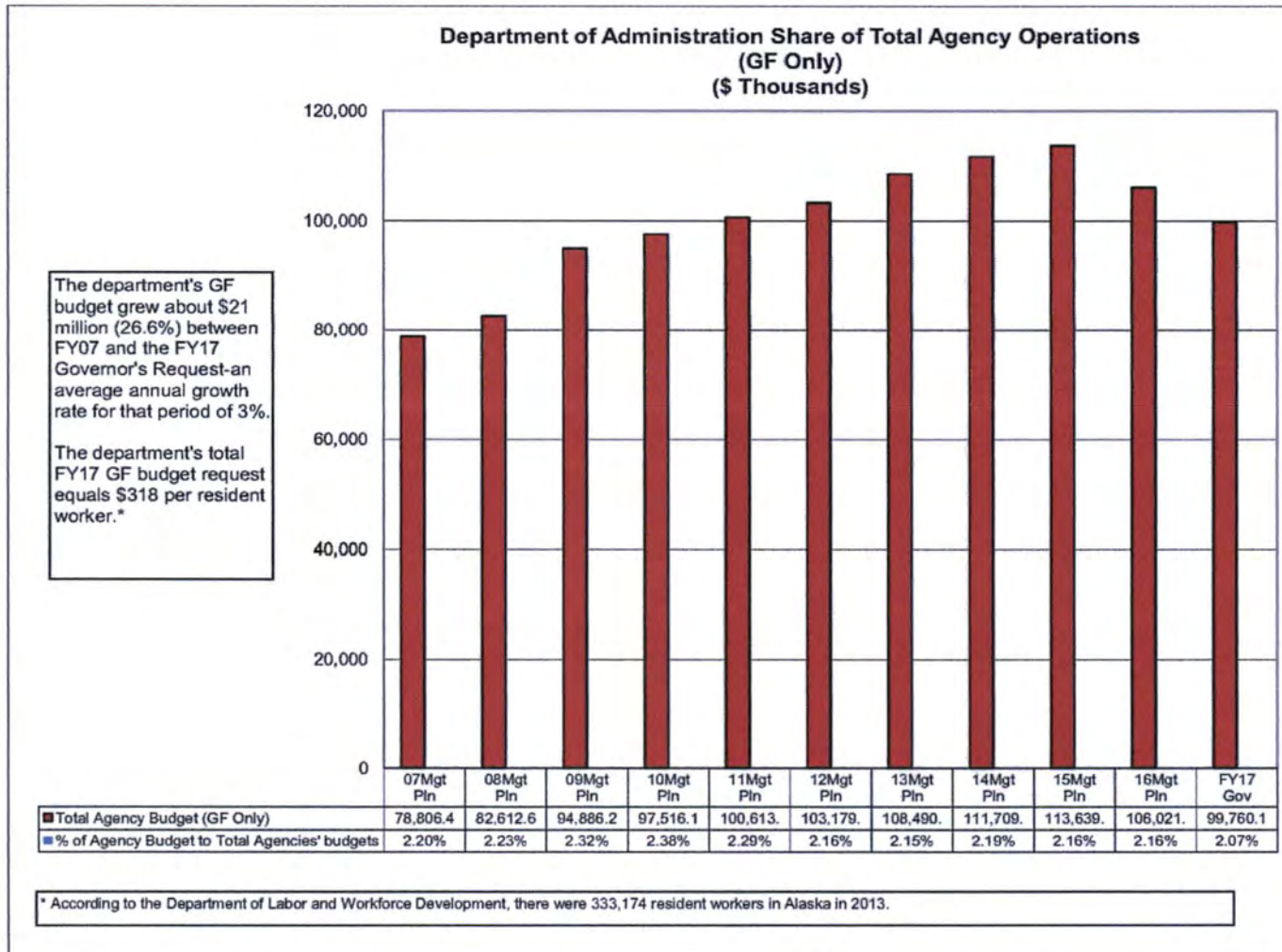
for more information about our department.

Questions?

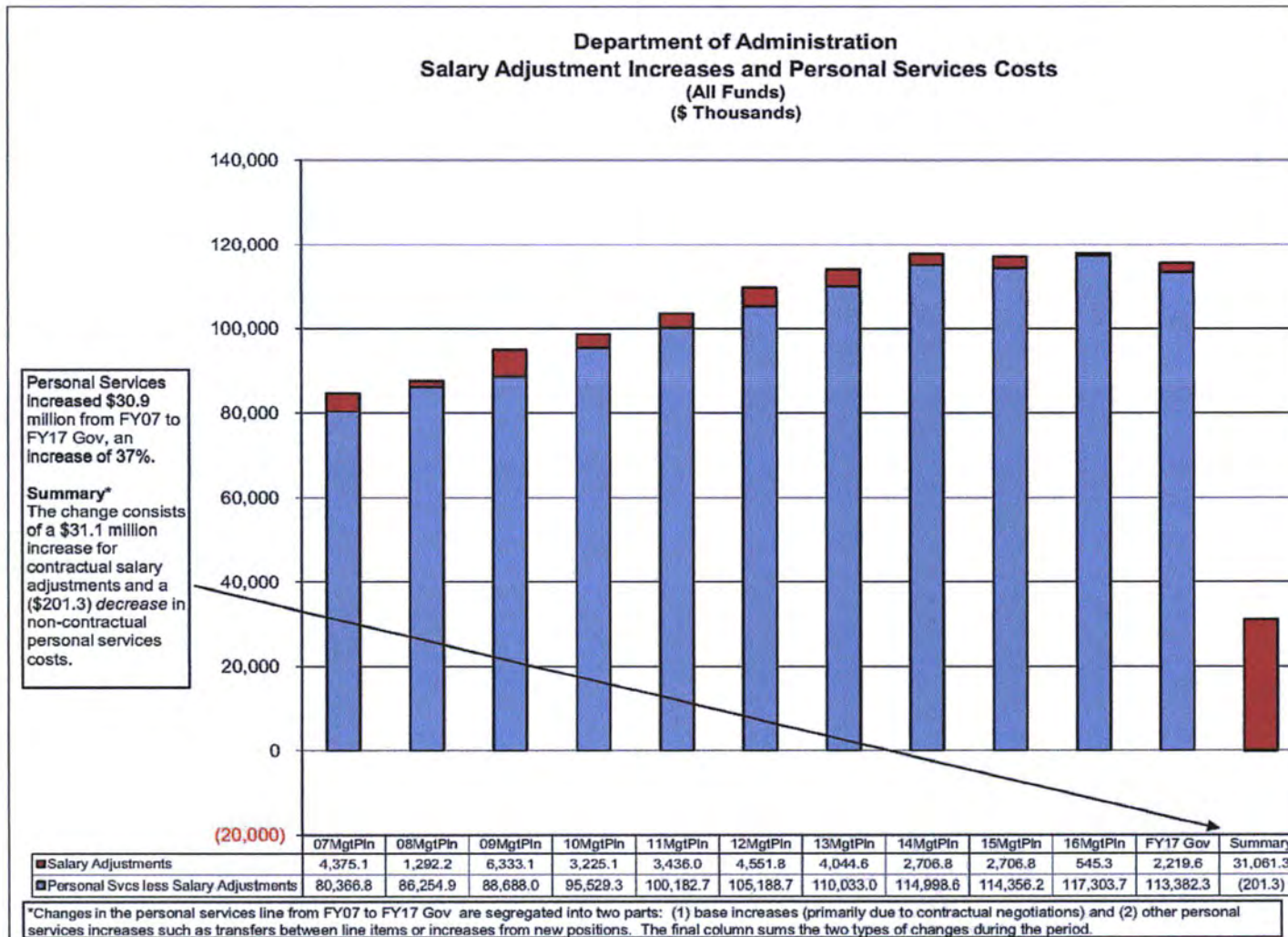
APPENDIX



SHARE OF TOTAL AGENCY OPERATIONS (GF ONLY)



SALARY ADJUSTMENT INCREASE & PERSONAL SERVICES COSTS (ALL FUNDS, THOUSANDS)



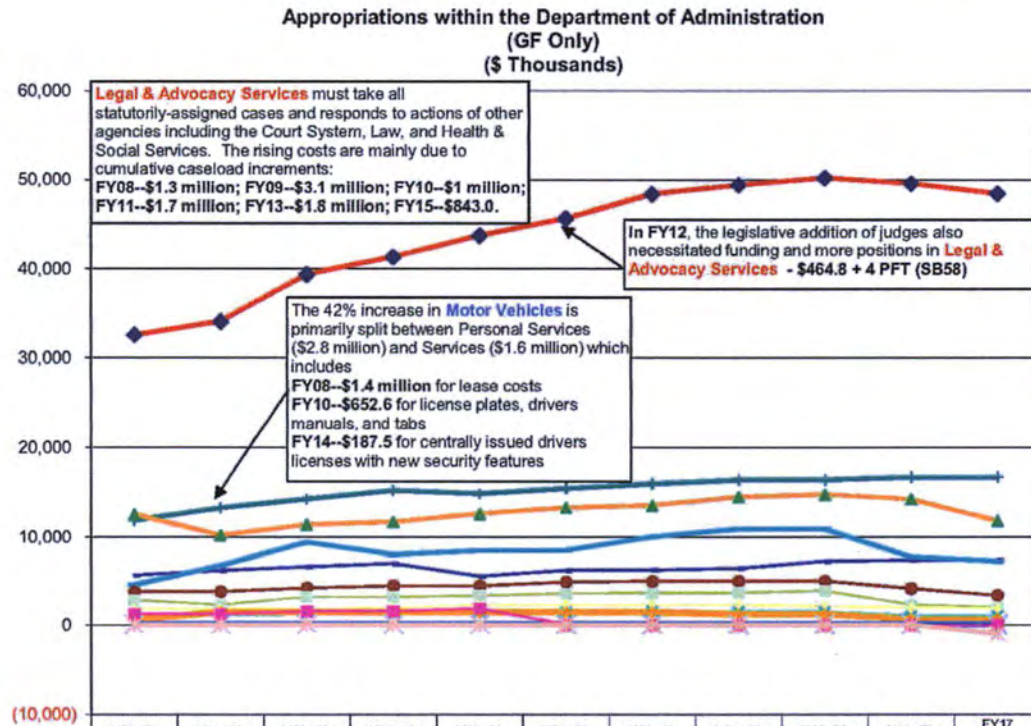
APPROPRIATIONS W/IN DOA (GF ONLY, THOUSANDS)

The Department of Administration is about 30% GF funded. 78% of the GF budget is attributable to only three appropriations: (1) **Legal and Advocacy Services** (49%); (2) **Motor Vehicles** (17%); and (3) **Centralized Administrative Services** (12%).

--**Legal & Advocacy Services** has increased in GF by 48.5% (\$15.8 million) between FY07-FY17 Gov--making up for 75% of the overall growth.

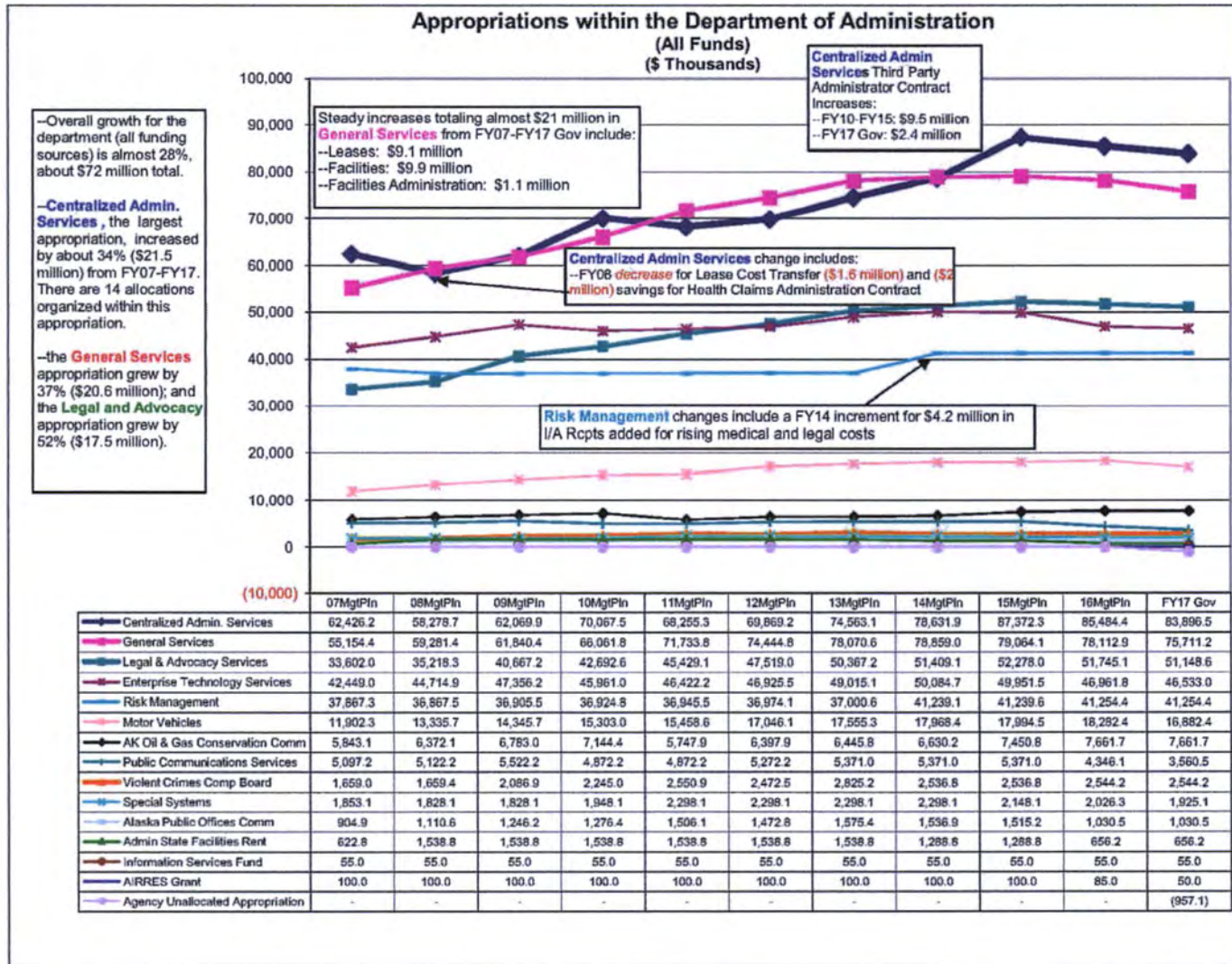
--**Motor Vehicles** budget is driven by personal services (with 148 PFT positions). Over 99% of this budget is DGF.

--The largest percentage GF increase is in the **Enterprise Technology Services** appropriation (showing growth of 56% -- or \$2.6 million).



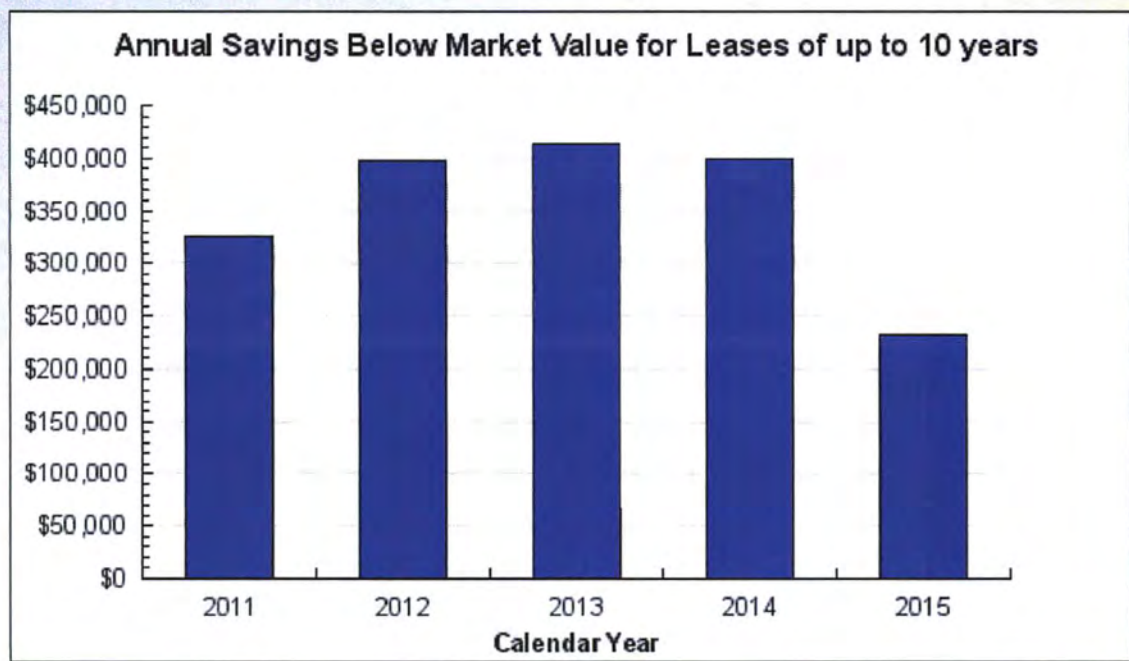
	07MgtPIn	08MgtPIn	09MgtPIn	10MgtPIn	11MgtPIn	12MgtPIn	13MgtPIn	14MgtPIn	15MgtPIn	16MgtPIn	FY17 Gov
Legal and Advocacy Services	32,595.4	34,117.2	39,336.6	41,331.7	43,776.5	45,692.5	48,373.1	49,404.4	50,208.0	49,563.7	48,412.2
Motor Vehicles	11,860.7	13,294.1	14,301.4	15,257.3	14,911.9	15,497.0	16,005.3	16,417.6	16,443.9	16,731.1	16,731.1
Centralized Administrative Services	12,530.1	10,191.9	11,388.1	11,690.5	12,595.8	13,286.5	13,548.5	14,514.9	14,806.6	14,263.5	11,782.0
Alaska Oil and Gas Conservation Commission	5,709.6	6,238.5	6,649.3	7,009.9	5,612.2	6,261.1	6,306.4	6,489.1	7,259.2	7,367.6	7,367.6
Enterprise Technology Services	4,659.6	6,771.0	9,401.3	8,006.1	8,457.2	8,462.0	10,035.0	10,913.6	10,919.0	7,692.6	7,263.8
Public Communications Services	3,873.5	3,898.5	4,298.5	4,548.5	4,548.5	4,948.5	5,047.3	5,047.3	5,047.3	4,246.1	3,460.5
General Services	2,917.8	2,344.8	3,291.3	3,293.5	3,447.5	3,675.6	3,728.2	3,769.4	3,973.5	2,358.7	2,038.2
Special Systems	1,853.1	1,828.1	1,828.1	1,948.1	2,298.1	2,298.1	2,298.1	2,298.1	2,148.1	2,026.3	1,925.1
Alaska Public Offices Commission	904.9	1,110.6	1,246.2	1,276.4	1,506.1	1,472.8	1,575.4	1,536.9	1,515.2	1,030.5	1,030.5
Administration State Facilities Rent	552.6	1,468.6	1,468.6	1,468.6	1,468.6	1,468.6	1,468.6	1,218.6	1,218.6	656.2	656.2
AIRRES Grant	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	85.0	50.0
Risk Management	-	-	-	-	-	4.4	4.4	-	-	-	-
Violent Crimes Compensation Board	1,249.1	1,249.3	1,576.8	1,585.5	1,890.8	12.4	-	-	-	-	-
Agency Unallocated Appropriation	-	-	-	-	-	-	-	-	-	-	(957.1)

APPROPRIATIONS W/IN DOA (ALL FUNDS, THOUSANDS)



CORE SERVICE - ENTERPRISE SUPPORT SERVICES

Target #1: Achieve a cost savings of at least 10% below market value for long term leases or lease extensions of up to 10 years.

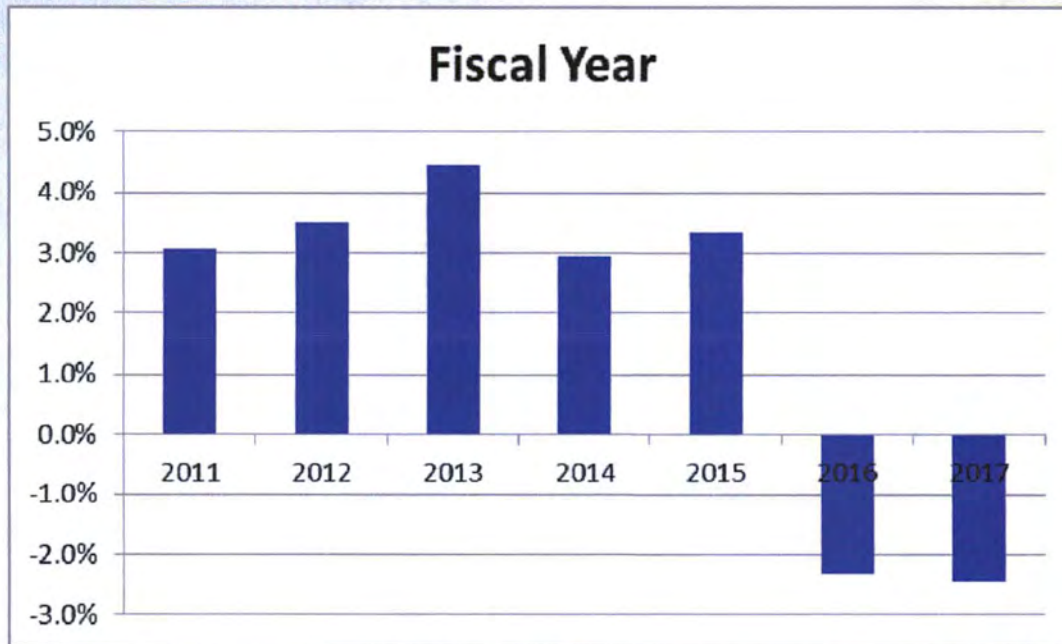


Annual Savings Below Market Value for Leases of up to 10 years	
Year	Annual Lease Savings
2015	\$231,884
2014	\$398,784
2013	\$414,482
2012	\$397,544
2011	\$326,549

Analysis of results and challenges: Alaska Statute 36.30.083 authorizes the state to extend a real property lease for up to 10 years if a cost savings of at least 10% below market value would be achieved. The market value is established by a real estate broker or real estate appraiser's opinion of value or BOV. DGS executed a total of 14 lease extension renewals under AS 36.30.083 in FY2015. The BOV Market Rate annual cost was \$1,903,725 and lease renewal costs totaled \$1,671,841 for an overall savings to agencies of \$231,884.

CORE SERVICE - ENTERPRISE SUPPORT SERVICES

Target #2: 5 year trend of cost growth for core government support services.



Five Year Cost Growth Trend	
Fiscal Year	Annual Lease Savings
FY 2017	-2.43%
FY 2016	-2.33%
FY 2015	3.33%
FY 2014	2.93%
FY 2013	4.46%
FY 2012	3.50%
FY 2011	3.05%

Analysis of results and challenges: Alaska Statute 36.30.083 authorizes the state to extend a real property lease for up to 10 years if a cost savings of at least 10% below market value would be achieved. The market value is established by a real estate broker or real estate appraiser's opinion of value or BOV. DGS executed a total of 14 lease extension renewals under AS 36.30.083 in FY2015. The BOV Market Rate annual cost was \$1,903,725 and lease renewal costs totaled \$1,671,841 for an overall savings to agencies of \$231,884.