


DEPARTMENT OF ADMINISTRATION
FY2014 HOUSE FINANCE BUDGET SUBCOMMITTEE NARRATIVE REPORT
28 February 2013

SUBCOMMITTEE MEMBERS:

Rep. Lindsey Holmes,  Chair	Rep. Johnson	Rep. Lynn
Rep. Millett	Rep. Olson	Rep. Drummond
Rep. Tuck		

RECOMMENDATIONS:

The House Finance Budget Subcommittee for the Department of Administration submits a recommended operating budget for FY2014 to the House Finance Committee as follows:

Unrestricted General Funds (UGF)	\$ 84,609.2
Designated General Funds (DGF)	24,285.9
Other Funds	222,056.6
Federal Funds	<u>3,793.7</u>
TOTAL	334,745.4

BUDGET ACTION:

The House Finance Budget Subcommittee for the Department of Administration held five meetings with the Department and analyzed all of the Governor's budget transactions. The following are budget action highlights:

- The subcommittee recommends authorizing a decrease of \$1,839.3 in general funds from the Governor's Amended FY2014 request.
- The subcommittee recommends an increase from the FY2014 Adjusted Base of \$1,486.1 UGF, and an increase of \$312.5 DGF for a total General Fund change of \$1,798.6. The change from Adjusted Base in Other Funds is an increase of \$8,853.2 and there is a decrease of (\$1,200.0) in Federal Funds. The total change from the Adjusted Base is \$9,451.8, and adds three temporary positions.

Accepted:

1. Centralized Administrative Services—Administrative Services—Core Services Increases, \$725.4 UGF.

Charges for core services provided by the Department are estimated to be dramatically higher in FY14 than in FY13. This increment provides increased funding to cover the cost of core service delivery within the Department.

2. Centralized Administrative Services—Retirement and Benefits—Consolidation and Automation of Division Processes \$323.9 Group Benefits, \$380.7 PERS Trust, \$153.9 Teach Ret, \$3.9 Jud Ret, \$12.6 Nat Guard (Other).

This increment will allow for consolidation and automation of external and internal processes to meet the increased workload associated with the anticipated 62% increase in retirees during the next decade.

3. Centralized Administrative Services—Health Plans Administration—Third Party Administrator, \$1,500.0 Group Health and Life Benefits Fund (Other).

This increment is estimated to cover costs for the RFP in process for a new third party administrator for AlaskaCare. Final costs will not be known until contracts have been awarded. The FY14 budget anticipates a \$1.5 million increase in the overall contract.

4. General Services—Various Allocations, \$465.9 I/A, \$197.7 Public Building Fund.

This encompasses several increments that cover the costs for space and services provided to user agencies. Agencies will absorb these increased costs in their FY14 operating budgets.

5. Enterprise Technology Services—Enterprise Technology Services, \$1,200.0 Information Services Fund, (\$1,700.0) Federal Receipts.

Eliminates uncollectible federal receipt authority and adds additional receipt authority for the Department to accurately charge user agencies for operation of legacy systems. Increased costs in this core service will be absorbed by agencies in their FY14 budgets.

6. Risk Management—Risk Management \$4,224.2 I/A.

This increment will increase authorization to collect from user agencies for the escalating costs of property insurance premiums, medical costs for worker's compensation, and litigation costs. Each year since FY09, Risk Management has exceeded its budget authorization and needed the Catastrophe Fund to cover increased costs. This increment will help the Department avoid use of that fund.

7. Enterprise Technology Services – Alaska Land Mobile Radio—Restore ALMR Equipment, Maintenance, and Training, \$1,500.0 UGF.

This increment restores funding added as a one-time increment in FY13 for the 41 ALMR sites the State of Alaska assumed ownership of in 2012. This will maintain funding at that level as the ongoing base.

Modified:

1. Enterprise Technology Services—Alaska Land Mobile Radio—ALMR Maintenance Costs and Receipt Authority, \$500.0 Federal Receipts.

The subcommittee recommends changing the \$500.0 Statutory Designated Program Receipts to \$500.0 Federal Receipts. This allocation represents federal funds paid to cover ALMR user costs; this will best be reflected by a fund code change to Federal Receipts. The subcommittee recommends denying the request for \$500.0 additional I/A Receipt authority. Funds allocated to cover municipal and other non-federal user group costs associated with ALMR should not be transferred through another Department to maintain transparency in budgeting. Furthermore, the subcommittee recommends denying the \$600.0 in additional UGF for ALMR until the Department has evaluated system maintenance costs with the increased base budget and federal receipt allocations in FY14, and has completed a thorough evaluation of the potential for cost recovery from other ALMR consumers as matching funds.

AMENDMENT ACTION:

The House Finance Budget Subcommittee for the Department of Administration also analyzed the Governor's budget amendments and took the following action:

Accepted:

1. Centralized Administrative Services—Retirement and Benefits—Mandated Patient-Centered Outcome Research Institute (PCORI) Trust Fund, \$35.3 Group Ben, \$21.7 PERS Trust, \$8.0 Teach Ret.

- A) The Patient Protection and Affordable Care Act imposes a progressive fee mandating self-insured plans to fund the PCORI. This request was not included in the governor's FY14 request because the Internal Revenue Service had not yet released the final regulations. The subcommittee recommends funding of PCORI through the named fund sources.
- B) The Department should take care to determine that the named fund sources are acceptable under the law.

2. Centralized Administrative Services—Retirement and Benefits—Increased Workload for Management of AlaskaCare Plan, \$93.3 Group Ben, \$57.3 PERS Trust, \$21.0 Teach Ret.

This increment will address increasing workload of managing the AlaskaCare plans.

3. Motor Vehicles—Motor Vehicles—Centrally Issued Driver's Licenses and Identification Cards, \$187.5 General Fund Program Receipts.

This increment will cover increased costs for the Division of Motor Vehicles to transition to central issuance to address issues with fraud, security and identity theft. This appropriation leverages federal funds to cover the full costs of transitioning to the new operating procedures.

OTHER ACTIONS:

The House Finance Budget Subcommittee for the Department of Administration recommends the following additional actions:

Accepted:

1. Centralized Administrative Services—DOA Leases—General Fund Reduction from Services Line, (\$250.0) GF.

The DOA Leases component holds funding for a portion of the Department's lease payments with a total GF allocation of \$1,779.8. After consultation with the Department, the subcommittee identified the potential for reduction in General Funds in this component by eliminating excess General Fund authorization. This action will reduce Departmental budgetary flexibility, but will not significantly impact operations.

2. Centralized Administrative Services—Centralized ETS Services—Eliminate General Funds from Services Line, (\$204.3) GF.

Centralized Enterprise Technology Services holds funding for the Department's ETS chargeback. This General Fund allocation is in place to off-set ETS rates across the Department, however it is no longer necessary for this purpose. This action eliminates the allocation of General Funds. It will reduce the Department's budgetary flexibility, but will not significantly impact operations.

3. Administration State Facilities Rent—Administration State Facilities Rent—General Fund Reduction from Services Line, (\$250.0) GF.

The Administration State Facilities Rent component holds funding to pay for the costs associated with State-owned facilities with a total GF allocation of \$1,468.6. Comparison of FY12 actual costs with FY12 authorized budgets shows excess General Fund authorization. This action eliminates a portion of that excess authorization. This will reduce the Department's flexibility in budgeting, but will not significantly impact operations.

4. Risk Management—Risk Management—Eliminate General Funds from Travel Line (\$4.4) GF.

The Risk Management component provides services for agencies that are best funded through interagency receipts. This eliminates a small General Fund authorization that is unnecessary for Risk Management to perform its mission.

5. Alaska Oil and Gas Conservation Commission—Alaska Oil and Gas Conservation Commission—Eliminate General Funds from Capital Outlay Line (\$7.3) GF.

The Alaska Oil and Gas Conservation Commission is funded through receipt supported services. Extra General Fund authorization is not necessary for the Commission to perform its mission.

6. Motor Vehicles—Motor Vehicles—Eliminate General Funds from Travel Line (\$23.3) GF.

The Division of Motor vehicles is funded through program receipts. Extra General Fund authorization is not necessary for the Division to perform its mission.

ATTACHED REPORTS:

The House Finance Budget Subcommittee for the Department of Administration adopts the attached reports:

Subcommittee generated reports

Budget Action Worksheet

Legislative Finance Division Reports – House Structure (Numbers Only)

1. Agency Totals – FY2014 Operating Budget
2. Appropriation/Allocation Summary (All Funds)
3. Appropriation/Allocation Summary (GF)
4. Transaction Comparison between ADJ Base and H Subcomm
5. Transaction Comparison between Gov Amd and H Subcomm
6. Wordage Report – FY2014 Operating Budget



Representative Lindsey Holmes, Chair

House Finance Budget Subcommittee for the Department of Administration

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