



29th Alaska State Legislature
House Finance Budget Subcommittee
Department of Administration
FY17 Operating Budget

Chair:

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Capitol Room 500
465-4833

Members:

Rep. Craig Johnson
Capitol Room 216
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Rep. Bob Lynn
Capitol Room 108
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Rep. Cathy Tilton
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Tyson Gallagher
465-3973

**DEPARTMENT OF ADMINISTRATION
FY2017 HOUSE FINANCE BUDGET SUBCOMMITTEE NARRATIVE REPORT
February 23, 2016**

RECOMMENDATIONS:

The House Finance Budget Subcommittee for the Department of Administration submits a recommended operating budget for FY2017 to the House Finance Committee as follows:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$67,117.4
Designated General Funds (DGF)	\$29,051.6
Other Funds	\$225,212.8
Federal Funds	<u>\$2,221.5</u>
Total	\$323,603.3

The Unrestricted General Fund difference from FY16 Management Plan to the House Subcommittee budget recommendation is a reduction of \$10,076.2, which is a 13.1% reduction.

The subcommittee recommends a total decrease from the FY2017 adjusted base of \$12,382.9 in all fund sources.

Positions:

Permanent Full-time	1,035
Permanent Part-time	19
Temporary	37
Total	1,091

BUDGET ACTION:

The House Finance Budget Subcommittee for the Department of Administration held **5** meetings with the Department. The Subcommittee reviewed and accepted the FY2017 Governor's amended budget request and made its own recommendations, which include these highlights:

- **Reduction, Public Communications Services, <\$2,680.0> 1004 UGF.** Alaska Public Broadcasting Services, including radio, television, and the commission, provide public service programming throughout Alaska. These reductions propose to eliminate the state operating grant portion of Public Broadcast budgets. The subcommittee has kept maintenance and operations funding for satellite infrastructure in the budget— key infrastructure to the system. In 2014, the Corporation for Public Broadcasting (Federal Dollars granted over \$2.9 million to Alaska stations for TV grants, over \$4.5 million for radio grants, and over \$8.6 million overall. Between fundraising, federal revenues, advertising, and donations, the public broadcast budget approaches \$13-\$14 million annually, making this approximately a 20% reduction to the system.
- **Eliminate Central Mail. <3,147.1> 1007 I/A Receipts.** One of the primary tasks the subcommittees were charged with was to look at reducing the number of programs and services that departments provide. In 2004, Central Mail was a centralization effort that was only ever implemented in Juneau. Anchorage, Fairbanks, and the remainder of the state remained de-centralized. Over the last 12 years areas outside of Juneau have developed a process to send and receive both inter-agency and U.S. Postal service mail.
- **Reduction, Travel, Services, and Commodities Lines <1,153.2> UGF.** With annual budget deficits approaching \$4 billion, there is a major need to reduce non-essential spending in state government. The subcommittee has proposed reductions to the travel, services, and commodities lines of each allocation. With Governor Walker's issuance of a travel freeze, the subcommittee has eliminated out of state travel and reduced in-state travel by 33%. This will provide a savings to the state in addition to retaining a small amount of funds for the department conduct travel that is deemed absolutely mission critical. Additionally, the subcommittee has reduced the services and commodities lines by reducing budgets for items such as: conference fees, subscriptions, long distance phone budgets, Central Mail, and office supplies and furniture.
- **Reduction, Alaska Public Offices Commission Office <\$200.0> UGF.** The Alaska Public Offices Commission regulates the activities of election campaigns, public officials, lobbyists, and lobbyists. With a reduction last year, APOC has successfully been able to continue to produce a work output at a comparable level to prior years. This transaction is recommended in conjunction with statutory change recommendations to the full House Finance Committee that would reduce APOC's cost burden, absorbing the impact of some of this reduction.
- **Remove Special Retirement Systems from numbers section of the budget <\$1,925.1> UGF.** This is not a reduction. The Unlicensed Vessel Participant Annuity Retirement System (UVPARS) and the Elected Public Officers Retirement System (EPORS) appropriations are being moved to a language section of the budget. The Subcommittee is responsible for evaluating and providing recommendations on the numbers section of the budget,

therefore you see the reduction from the numbers section in subcommittee, and new language will be included in a committee substitute in full House Finance.

- **Added Intent Language for Alaska Land Mobile Radio.** It is the intent of the Legislature that the department review options to provide interoperable emergency radio service on a statewide level utilizing any and all technology available, and report back to the Legislature by January 25, 2017 with potential system replacement options that would have an annual operating budget no more than 70% of the total Alaska Land Mobile Radio Component FY17 Unrestricted General Fund Operating Budget.

Recommendations to the full House Finance Committee –

- o APOC Statutory change recommendations including but not limited to:
 - Revise AS 15.13.374, advisory opinions
 - Extend the time for requests from seven days to 10 working days; greater flexibility with time management
 - Revise AS 15.13.040
 - Reduce redundant reporting
 - Clarify AS 15.13.090(c) & (d), paid for identifiers;
 - Simplify the paid for identifiers
- o REAL ID Act
 - Take up enabling legislation or instruct DMV to develop a plan one how to allow Alaskans to continue their normal livelihood and activities when REAL ID Act takes effect.
- o Felony-Theft Threshold
 - Take up legislation to raise the felony-theft threshold level to a level in line with the Consumer Price Index. A raising of the felony-theft threshold will reduce the Office of Public Advocacy and the Public Defenders Agencies costs by trying more cases as misdemeanors that would be tried as felonies now.
- o Central Mail
 - Remove all funds budgeted in other departments for Central Mail – in association with the level of reduction of Central Mail in the Department of Administration's budget

ATTACHED REPORTS:

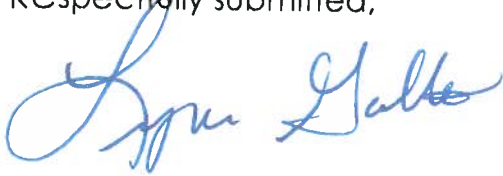
The House Finance Budget Subcommittee for the Department of Administration adopts the attached reports:

2016 Legislative Finance Division Reports – House Structure (Numbers Only)

1. Agency Totals – FY2017 Operating Budget
2. Allocation Summary (All Funds)
3. Allocation Summary (GF Only)
4. Transaction Compare between Adjusted Base (17Adj Base) and House Subcommittee (H Sub)
5. Transaction Compare between Governor Amended (Gov Amd) and House Subcommittee (H Sub)

6. Wordage Report – FY2017 Operating Budget
The Budget Action Worksheet is attached for informational purposes.

Respectfully submitted,



Representative Lynn Gattis, Chair
House Finance Budget Subcommittee for the Department of Administration

Department of Administration
FY2015 to FY2016 Comparison

<u>Fund Type</u>	<u>FY2015</u> <u>Mgt Plan</u>	<u>FY2016</u> <u>Enacted</u>	<u>Difference</u>	<u>Percent</u> <u>Difference</u>
Unrestricted General Fund	\$88,178.3	\$77,193.6	-\$10,984.7	-12.5%
Designated General Fund	\$25,461.1	\$26,717.8	\$1,256.7	4.9%
Other	\$230,927.2	\$230,418.0	-\$509.2	-0.2%
Federal	<u>\$3,799.1</u>	<u>\$3,806.7</u>	<u>\$7.6</u>	<u>0.2%</u>
Total	\$348,365.7	\$338,136.1	-\$10,229.6	-2.9%

<u>Unrestricted General Fund</u>	<u>FY2015</u> <u>Mgt Plan</u>	<u>FY2016</u> <u>Enacted</u>	<u>Difference</u>	<u>Percent</u> <u>Difference</u>
Non-Formula	\$86,030.2	\$75,167.3	-\$10,862.9	-12.6%
Formula	<u>\$2,148.1</u>	<u>\$2,026.3</u>	<u>-\$121.8</u>	<u>-5.7%</u>
Total	\$88,178.3	\$77,193.6	-\$10,984.7	-12.5%

<u>Budgeted Positions</u>	<u>FY2015</u> <u>Mgt Plan</u>	<u>FY2016</u> <u>Enacted</u>	<u>Difference</u>	<u>Percent</u> <u>Difference</u>
Permanent Full-Time	1,055	1,049	-6	-0.6%

<u>Filled Positions</u>	<u>Dec 2014</u> <u>Employees</u>	<u>July 2015</u> <u>Employees</u>	<u>Difference</u>	<u>Percent</u> <u>Difference</u>
Permanent Full-Time	1,007	963	-44	-4.4%
Permanent Part-Time	9	9	0	0.0%
Non-Permanent	<u>69</u>	<u>74</u>	<u>5</u>	<u>7.2%</u>
Total	1,085	1,046	-39	-3.6%

Notable Changes

A large portion of DOA's budget is for interagency services. The unrestricted general fund included in DOA's budget partially offsets the costs of centralized services provided to other departments. UGF reductions could translate to higher costs or less service affecting other departments' ability to do business. UGF reductions in other departments compounds this by affecting their ability to pay DOA for centralized services.

Public services provided by DOA affected by UGF reductions include Public Communication Services, Alaska Land Mobile Radio, and Legal and Advocacy Services.

- **Public Communications Services** budget was reduced by \$801.2 UGF, or 15.9%, which means less money to public broadcasting stations. The State of Alaska provides grants to approximately 30 public radio stations and four private non-profit independently owned and operated public television stations. Public radio and television stations provide un-

served and underserved audiences with free over the air programming available to all Alaskans regardless of their ability to pay. Public radio and television provides community information and messaging to outlying areas. In some instances, these stations are the providers of the state and federal Emergency Alert System (EAS).

- **SATS/ALMR** budget was reduced by \$1,146.5 UGF, or 13.4% and translates to fewer funds available for preventative maintenance. These systems are used daily and widely by the Departments of Public Safety, Transportation and Public Facilities, and Natural Resources, as well as the federal government and others.

In recent history, SATS has been operating with annual capital deferred maintenance funding and has made headway with the deferred maintenance but continues to need funding for this purpose. Without those funds and a reduction in available operating funds there will be less preventative maintenance and the system will ultimately return to emergency break/fix, potentially causing irreparable damage to site infrastructure ranging from \$100K to \$1M per site and could result in the loss of public safety communications throughout the system.

- **The Public Defender Agency's** budget was reduced by \$93.4 UGF The agency's budget is approximately 82% personal services. The remaining is comprised of administrative and necessary litigation expenses over which the agency has little control. Any increase in vacant attorney positions would undermine the agency's mission to provide constitutionally mandated defense services to indigent clients, which puts the agency at risk of failing to properly execute its mission. This would result in increased delays and increased instances of ineffective assistance of counsel. These outcomes would increase the cost of criminal justice across the entire system and, at some point, require the agency to oppose its appointment in new cases.
- **The Office of Public Advocacy's** budget was reduced by \$300.0. The Office of Public Advocacy will leave positions vacant longer and implement furloughs for specific staff during the year. Holding positions vacant could jeopardize processing of cases or increase the already existing backlogs. The division will continue to keep as many cases in house as possible which is less costly than contractors but may deny travel except for lawyers attending a trial, this could mean that Guardians Ad Litem will not visit children and Public Guardians will visit wards less frequently. In addition to this, OPA is looking for additional revenues and is considering program shutdowns.