

# Budget Brief: Human Resource Management

## SUMMARY

The Department of Human Resource Management (DHRM) is the central human resource office for the state's workforce. Department staff is responsible for recruitment, training, classification and compensation systems for the state. The mission of DHRM is to develop, implement and administer a statewide human resource management system for state employees that will promote quality government, attract/retain quality employees, and render assistance to state agencies.

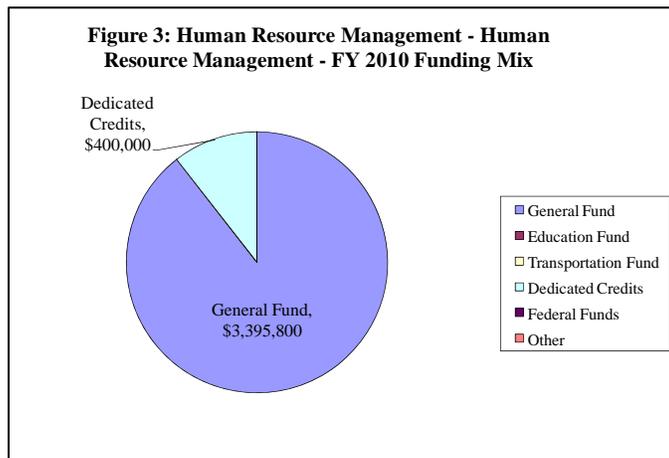
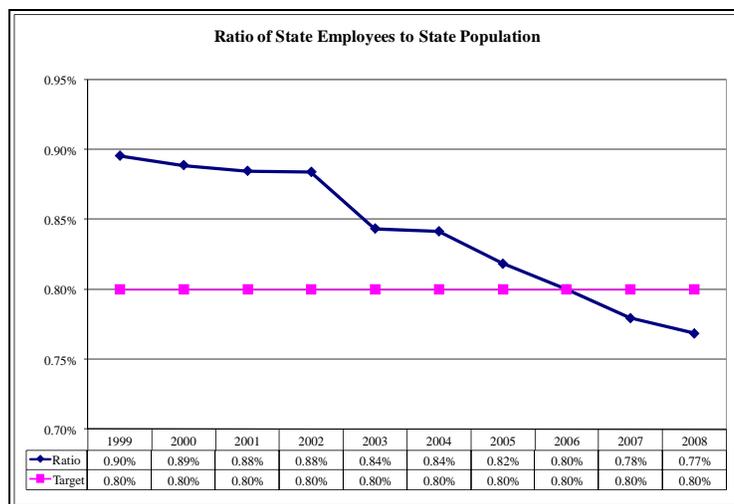
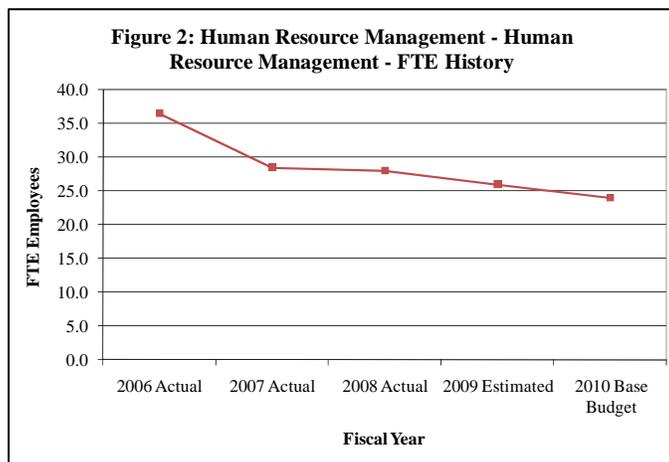
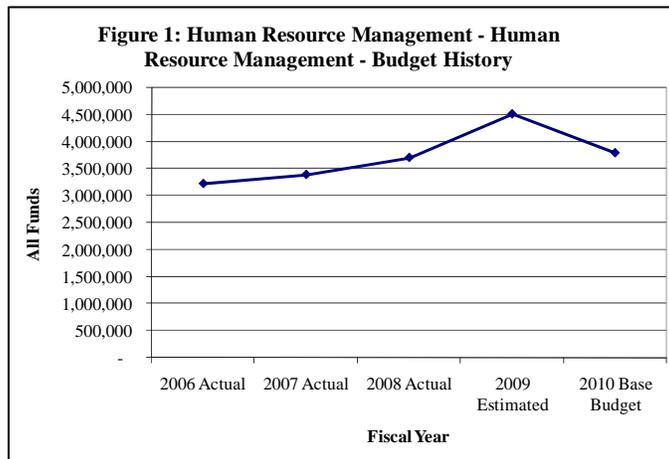
During the 2006 General Session the Legislature passed House Bill 269, *Human Resource Management Amendments*, which allowed DHRM to remain an independent department rather than become a division within DAS as previously planned. The bill also allowed DHRM to operate an internal service fund for field services provided to other state agencies. See Budget Brief *DHRM ISF* for more information on the DHRM internal service fund.

## ACCOUNTABILITY DETAIL

### State population growth and state employee growth

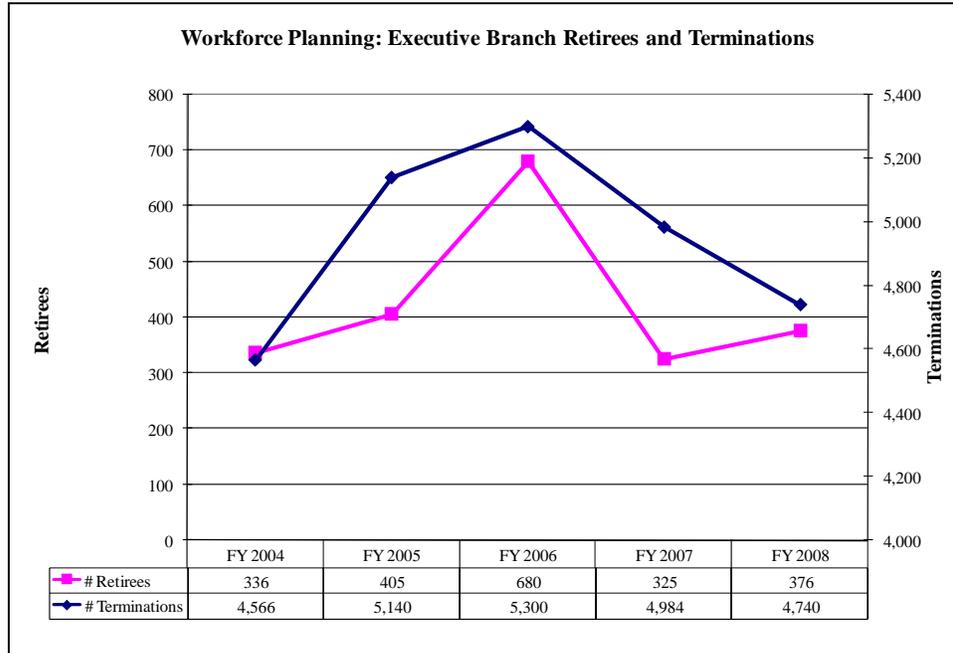
An important component of the overall state human resource management is the ratio of state employees to state population. As the state's population has grown rapidly over the past decade, the ratio of state employees to the population has decreased, suggesting increased efficiency of the state workforce.

The ratio of state employees to state population was 0.77 percent in FY 2008 (or 1:130), the lowest number of state employees per capita in at least fifteen years.



**Retirements and Terminations**

As part of workforce planning, the division monitors the number of retirees and terminations in order to plan for future workforce needs. Terminations include all individuals leaving state employment.



**BUDGET DETAIL**

The division utilizes funding from the General Fund and Dedicated Credits. Dedicated Credits are collected from training fees. Most of the division’s funding is used for staff support and IT costs. The number of FTEs in the Department has declined in FY 2007 due to a transfer of eight FTEs from DHRM’s Information Technology program to the new Department of Technology Services. There will be no cost savings – personal services expenditures will become current expenses.

***Intent Language***

The Department requests nonlapsing authority for FY 2009 to complete the following projects in priority order:

1. Upgrade and maintain the Employee Gateway, the Utah Job Match system, and the Human Resource Enterprise system; and implement the Utah Performance Plan - \$262,200
2. Employee training for employment law, liability prevention, Certified Public Manager program, Management Development courses and conferences, and Executive Development courses and conferences - \$250,600

The Analyst recommends the Legislature adopt the following supplemental intent language for Fiscal Year 2009:

*Under terms of UCA 63J-1-402(3), the Legislature intends not to lapse Item 51, Chapter 2, and Item 38, Chapter 392, Laws of Utah 2008. Expenditure of these funds is limited to: Information Technology projects and consulting services - \$262,200; and employee training and development programs funded with dedicated credit revenue - \$250,600.*

**LEGISLATIVE ACTION**

The Analyst recommends the Legislature consider adopting:

1. A total base appropriation of \$3,795,800 for the Division of Human Resource Management.
2. Intent language making the FY 2009 appropriation nonlapsing limited to specific uses.

**BUDGET DETAIL TABLE**

Human Resource Management						
Sources of Finance	FY 2008	FY 2009	Changes	FY 2009	Changes	FY 2010*
	Actual	Appropriated		Revised		Base Budget
General Fund	3,317,300	3,673,900	(278,100)	3,395,800	0	3,395,800
General Fund, One-time	50,000	34,000	173,100	207,100	(207,100)	0
Dedicated Credits Revenue	343,200	400,000	0	400,000	0	400,000
Beginning Nonlapsing	686,300	0	512,800	512,800	(512,800)	0
Closing Nonlapsing	(512,800)	0	0	0	0	0
Lapsing Balance	(176,500)	0	0	0	0	0
<b>Total</b>	<b>\$3,707,500</b>	<b>\$4,107,900</b>	<b>\$407,800</b>	<b>\$4,515,700</b>	<b>(\$719,900)</b>	<b>\$3,795,800</b>
<b>Programs</b>						
Administration	853,400	1,237,300	(418,700)	818,600	(192,400)	626,200
Central Operations	0	(7,500)	7,500	0	0	0
Classification and Employee Relations	1,270,000	1,292,100	63,800	1,355,900	0	1,355,900
Information Technology	1,217,500	1,186,000	262,100	1,448,100	(274,400)	1,173,700
Management Training and Development	353,900	400,000	250,600	650,600	(250,600)	400,000
Teacher Salary Supplement	12,700	0	242,500	242,500	(2,500)	240,000
<b>Total</b>	<b>\$3,707,500</b>	<b>\$4,107,900</b>	<b>\$407,800</b>	<b>\$4,515,700</b>	<b>(\$719,900)</b>	<b>\$3,795,800</b>
<b>Categories of Expenditure</b>						
Personal Services	1,965,700	2,123,100	(39,800)	2,083,300	(217,500)	1,865,800
In-State Travel	3,500	8,200	0	8,200	0	8,200
Out of State Travel	53,800	73,000	5,000	78,000	0	78,000
Current Expense	482,400	692,300	167,200	859,500	(272,400)	587,100
DP Current Expense	1,202,100	1,181,300	305,400	1,486,700	(230,000)	1,256,700
Other Charges/Pass Thru	0	30,000	(30,000)	0	0	0
<b>Total</b>	<b>\$3,707,500</b>	<b>\$4,107,900</b>	<b>\$407,800</b>	<b>\$4,515,700</b>	<b>(\$719,900)</b>	<b>\$3,795,800</b>
<b>Other Data</b>						
Budgeted FTE	28.0	28.0	(2.0)	26.0	(2.0)	24.0
Actual FTE	23.0	0.0	0.0	0.0	0.0	0.0

\*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.

# Budget Brief: Human Resource Management (ISF)

## SUMMARY

The Department of Human Resource Management (DHRM) Internal Service Fund (ISF) was established by House Bill 269 in the 2006 General Session, effective July 1, 2006. Internal Service Funds employ business practices to provide a service or product for other state and governmental agencies. Typical services include large functions that can be centrally administered.

Upon establishing the ISF, DHRM consolidated all human resource employees statewide. Whereas previously most HR staff in the “field” worked for the agency where they were housed, they now work for DHRM though they may remain in the same location. The consolidation should allow for efficiencies by avoiding duplication of effort, particularly in rural or otherwise remote locations. Consolidation should also result in better control and coordination over HR functions.

The Internal Service Fund has two programs:

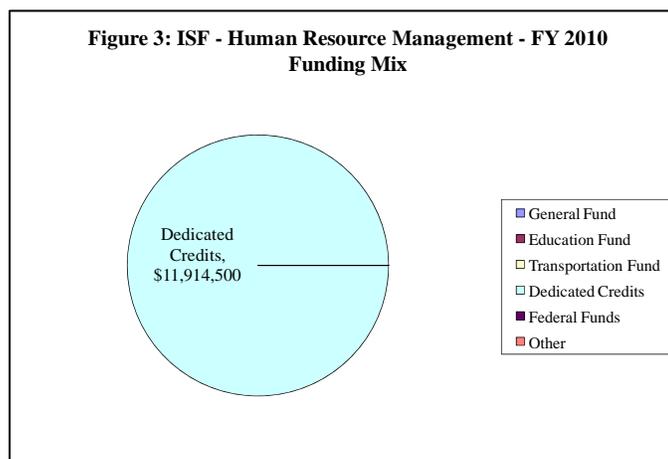
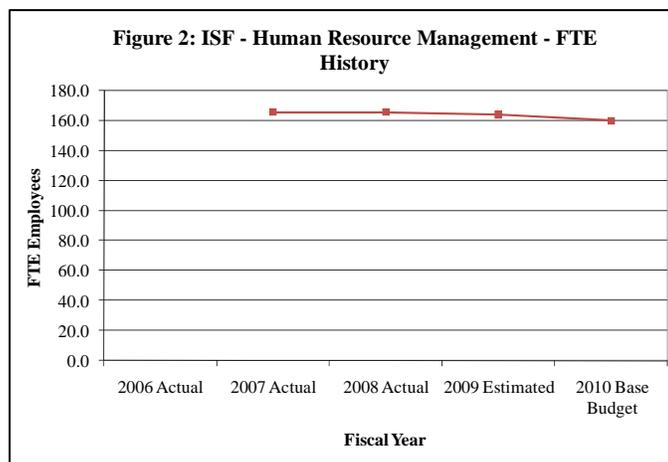
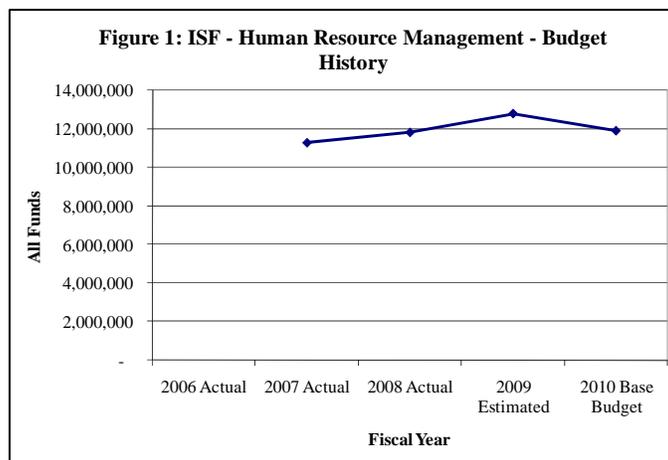
- Human Resource Field Services
- Payroll Field Services (optional)

## ISSUES AND RECOMMENDATIONS

### *FY 2010 Rate Decreases*

The DHRM Internal Service Fund has been in operation since FY 2007. The rates for FY 2007 were calculated and approved by the 2006 Legislature by dividing the total budgets for HR services and payroll services by the total number of customer agency FTE. This resulted in a HR Field Services annual rate of \$520 per FTE and a Payroll annual rate of \$130 per FTE.

In FY 2010 the department proposes to decrease the HR services rate from \$613 to \$579 per FTE and the payroll services rate from \$115 to \$75 per FTE. This represents a 6% and 35% decrease in rates respectively and translates into a \$876,700 decrease to state agencies. DHRM managed to reduce rates significantly even though the Legislature did not appropriate any funds to offset the increased compensation and benefits for FY 2009 (including a 5% COLA and health increases).



**Rate Change for FY 2010**

In accordance with UCA 63J-1-402(3), the following fees are proposed for the services of the Department of Human Resource Management in FY 2010:

	FY 2009 Current	FY 2010 Proposed	Difference	FY 2010 # Units	Revenue Change
Field Services (per actual FTE)	613.00	579.00	-34.00	16,715	(\$568,300)
Payroll Field Services (per actual FTE)	115.00	75.00	-40.00	7,709	(\$308,400)

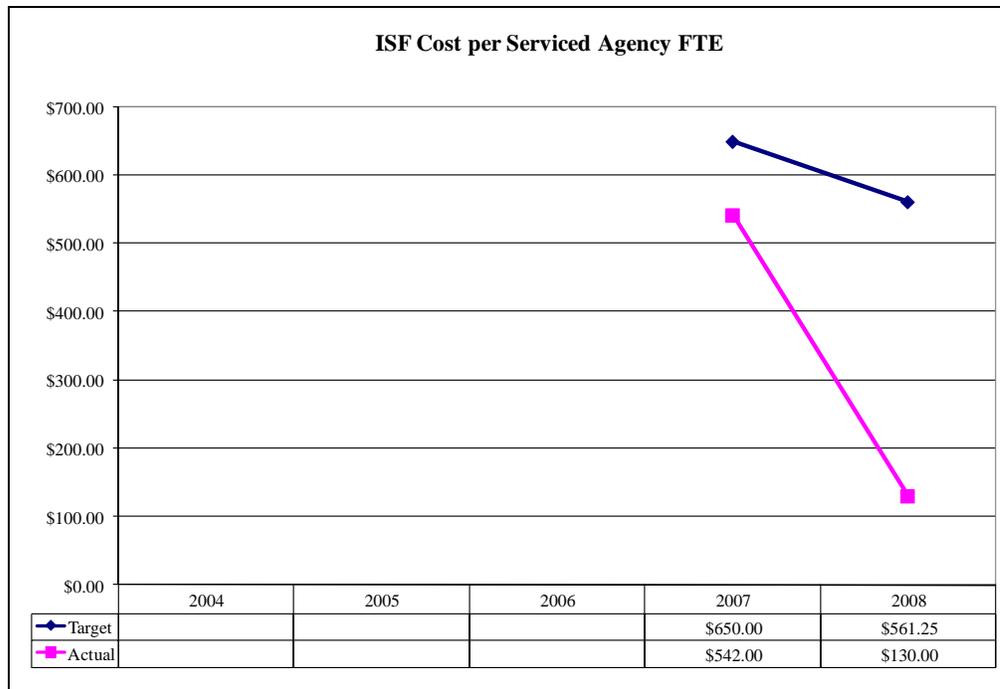
**FTE Decrease**

Through internal efficiencies the Department of Human Resource Management is able to reduce the number of FTE in the internal service fund by six. The Analyst therefore recommends decreasing the authorized FTE amount from 164.0 to 158.0.

**ACCOUNTABILITY DETAIL**

**ISF Cost per Serviced Agency FTE**

DHRM provides human resource services at a set rate to user agencies based on the number of FTE in the user agency. One measure of how well DHRM controls their costs is the ratio of expenses in the ISF to FTEs serviced in user agencies.



**BUDGET DETAIL**

The HR Field Services program is the primary program for delivery of services to state agencies. This program delivers frontline services in major functional areas including recruitment, training and development, classification, management of grievances and application of DHRM policies. The DHRM administrative staff (appropriated budget) sets the guidelines for Field Services, evaluates their performance and governs their workload.

The Payroll Field Services program is optional for agencies that wish to purchase payroll administration rather than use internal staff. Payroll work is cyclical and agency staff assigned to it normally performs other functions as well. Fewer agencies than originally estimated are using the service right now.

**LEGISLATIVE ACTION**

The Analyst recommends the Legislature consider adopting:

1. Estimated revenues of \$11,914,500
2. Rates as presented above on page 2
3. Authorized FTE of 158.0 (which includes a reduction of 6 FTE)
4. Authorized capital outlay of \$75,000 for unforeseen needs

**BUDGET DETAIL TABLE**

<b>ISF - Human Resource Management</b>						
<b>Sources of Finance</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>Changes</b>	<b>FY 2009</b>	<b>Changes</b>	<b>FY 2010*</b>
	<b>Actual</b>	<b>Appropriated</b>		<b>Revised</b>		<b>Base Budget</b>
Dedicated Credits - Intragvt Rev	11,824,700	12,903,300	(112,000)	12,791,300	(876,800)	11,914,500
<b>Total</b>	<b>\$11,824,700</b>	<b>\$12,903,300</b>	<b>(\$112,000)</b>	<b>\$12,791,300</b>	<b>(\$876,800)</b>	<b>\$11,914,500</b>
<b>Line Items</b>						
ISF - Human Resource Management	11,824,700	12,903,300	(112,000)	12,791,300	(876,800)	11,914,500
<b>Total</b>	<b>\$11,824,700</b>	<b>\$12,903,300</b>	<b>(\$112,000)</b>	<b>\$12,791,300</b>	<b>(\$876,800)</b>	<b>\$11,914,500</b>
<b>Categories of Expenditure</b>						
Personal Services	10,850,900	11,530,500	570,300	12,100,800	(192,200)	11,908,600
In-State Travel	27,100	37,000	(12,000)	25,000	0	25,000
Out of State Travel	13,200	19,000	(4,000)	15,000	0	15,000
Current Expense	256,300	450,200	(107,300)	342,900	0	342,900
DP Current Expense	171,900	373,500	(52,500)	321,000	0	321,000
Other Charges/Pass Thru	0	43,000	0	43,000	0	43,000
Depreciation	600	0	14,100	14,100	0	14,100
<b>Total</b>	<b>\$11,320,000</b>	<b>\$12,453,200</b>	<b>\$408,600</b>	<b>\$12,861,800</b>	<b>(\$192,200)</b>	<b>\$12,669,600</b>
<b>Other Data</b>						
Budgeted FTE	165.6	164.0	0.0	164.0	(6.0)	158.0
Actual FTE	144.7	0.0	0.0	0.0	0.0	0.0
Authorized Capital Outlay	42,300	0	0	0	75,000	75,000
Retained Earnings	879,500	325,800	(325,800)	0	53,800	53,800

\*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.