



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:

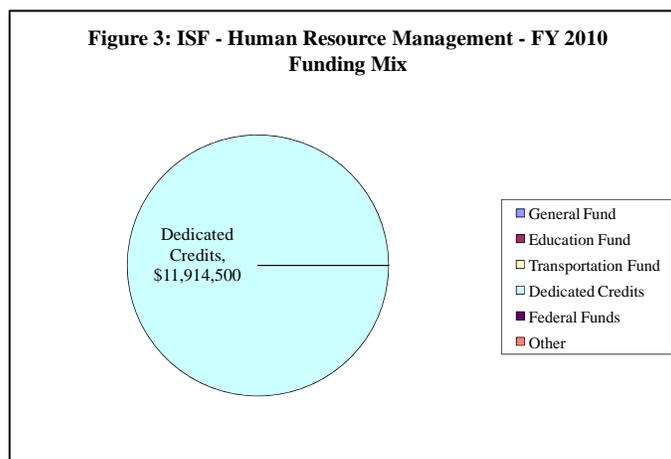
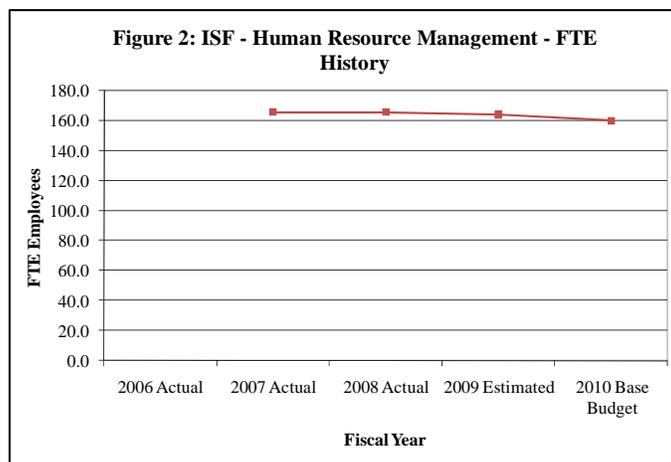
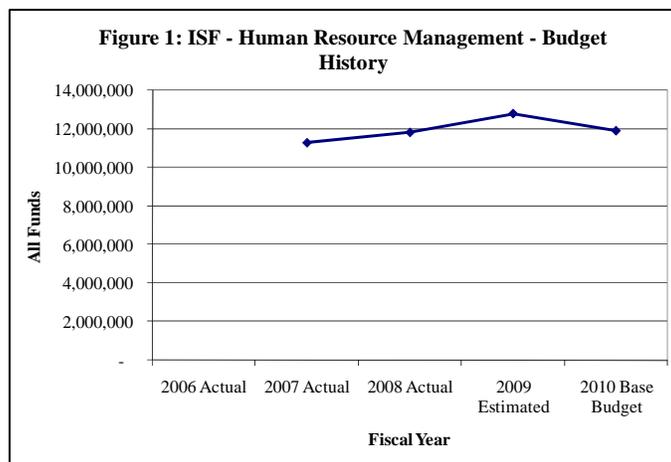
- Human Resource Field Services
- Payroll Field Services (optional)

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)

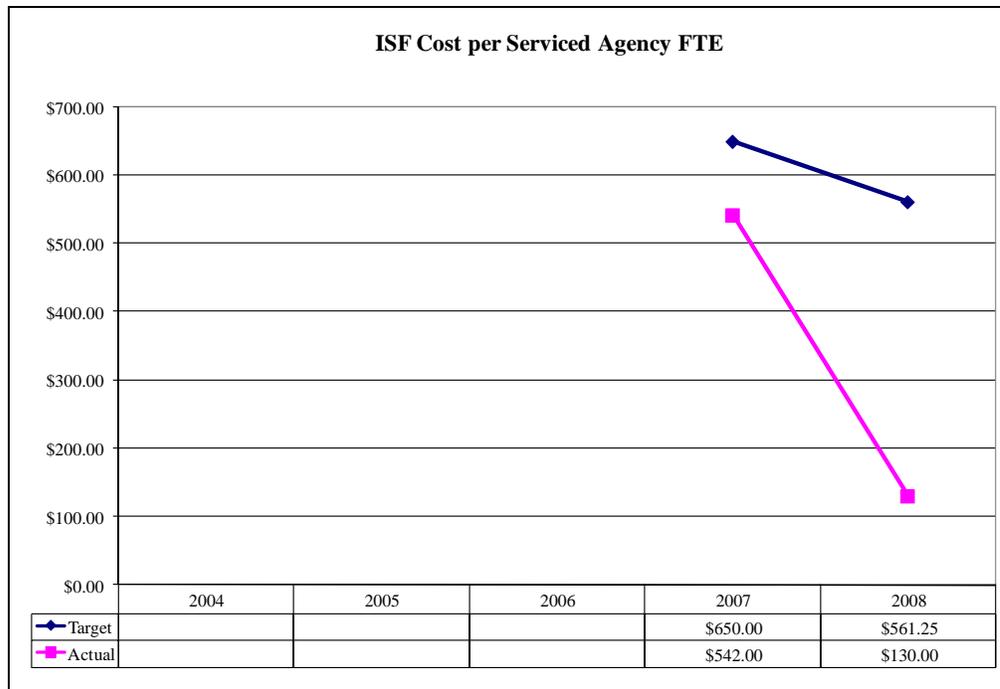
FTE Decrease

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

ISF - Human Resource Management						
Sources of Finance	FY 2008	FY 2009	Changes	FY 2009	Changes	FY 2010*
	Actual	Appropriated		Revised		Base Budget
Dedicated Credits - Intragvt Rev	11,824,700	12,903,300	(112,000)	12,791,300	(876,800)	11,914,500
Total	\$11,824,700	\$12,903,300	(\$112,000)	\$12,791,300	(\$876,800)	\$11,914,500
Line Items						
ISF - Human Resource Management	11,824,700	12,903,300	(112,000)	12,791,300	(876,800)	11,914,500
Total	\$11,824,700	\$12,903,300	(\$112,000)	\$12,791,300	(\$876,800)	\$11,914,500
Categories of Expenditure						
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
Total	\$11,320,000	\$12,453,200	\$408,600	\$12,861,800	(\$192,200)	\$12,669,600
Other Data						
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.