



# Department of Human Resource Management

Internal Service Fund Presentation

October 28, 2015

# DHRM – a Monopoly?

- DHRM is statutorily created to provide HR services to the Executive Branch and was purposefully consolidated into one agency in 2007 by the Legislature
  - Many of our product lines and services are regulatory in nature and our value in this area is that the state is protected from liability through our presence, consistency in application, providing required training, and giving agency management sound advice on human relations issues.
  - HR work is more sound when it acts as an independent third-party, rather than being employed directly by the employer
  - Cost savings and development of centers of excellence
  - Resource deployment is also an advantage



# Progress

Since consolidation in 2007:

- \$31 million in savings
- 57 FTE reduction
  
- Current ISF rates are lower than in 2008
- GF appropriation from \$3.6 to \$2.6 million
  - Absorbing inflationary increases
  - Absorbing compensation increases
  - Becoming more and more efficient



# Current Breakdown – Internal Service Fund vs General Fund

- General Fund (\$2.6M)
  - Administration
  - Compensation/Benefits
  - Finance
  - IT
  - ALJ
- ISF (\$12M)
  - Field Staff
  - Labor Relations
  - Recruitment/Classification
  - ERIC (Employee Resource Information Center)
  - Business Intelligence and Systems
- Other (\$200,000)
  - Learning/Development



# FY15 Budget Surplus

## DHRM Budget Surplus in FY15:

- Several vacancies consolidated or not filled
- ALJ Program was under budget
- HRIS rebuild was delayed
- New DTS staffing model
- Training program (CPM) under budget



# FY 17 Rates

- Includes shifting all GF money to the ISF model
- FY 16 GF appropriation = \$2.6 million
  - Only shifting \$1.7 million
  - \$900,000 given back to GF
    - Reduction in IT costs
- Approved by the 2015 rate committee
- Supported by the Governor's Office
- Saves approximately \$1 million in GF to be spent elsewhere
- Includes a new rate for Core HR



# Explanation of “Core HR” Rate

- New rate needed if DHRM’s budget becomes all ISF or if the IT funding were to shift to the ISF
- There are a few agencies that DHRM does not have jurisdiction over and does not provide HR services to, but these entities have chosen to use the HRE system and our recruitment system
  - The loss of General Fund monies necessitates these entities paying their share of these systems so that other rate paying entities are not subsidizing them
  - This rate only accounts for the actual systems themselves; not staff time



# Core Rate continued

- The proposed rate for FY 16 was \$27 per FTE; it is now \$12
  - Savings achieved by a new staffing model with DTS
    - DHRM only pays for work performed; rather than 40 hours per week for four DTS staff regardless of workload



# How are Rates Calculated?

- DHRM charges by FTE count in each agency
- Designed to ensure that agencies can use HR services as much as they need, without having to worry about how to pay for every interaction
- DHRM is a regulatory agency and so this model protects the state from unnecessary liability
- DHRM is not sheltered from budget cuts, as our rates are a direct reflection of agency FTE's
- Rates are calculated by taking expected costs divided by expected FTE count
- While rates are approved by a rate committee and included in the Governor's budget, the Legislature has final authority of what DHRM can charge



# Private Sector Rates

- Total cost of operation study – Privatization Board/GOMB – 2014
  - State HR services are 67% less expensive
  - State payroll services are 24% less expensive



# Draft Legislation – Rate Committee

- Proposing a committee bill
- Language taken from SB300 – General Session 2015 and from the pending DTS bill
- Expands the number of agencies on the committee from 3 to 6
- Still includes GOMB
- Removes the DHRM Executive Director and the Director, Division of Finance



# Rate Committee and Agency Feedback

- Rate committee feedback has been very limited
  - Department of Natural Resources
  - Division of Finance



# Voice of Customer

- Agency feedback gathered through VOC process during summer and early fall months. Analysis ongoing (final report not issued):
  - At current point of evaluation, the following themes defining service value are common:
    - Stronger business value and strategic connections
    - Timeliness
    - Accessibility
    - Ease of Use



# New Human Resource Information System - HRIS

- New HRIS system consists of a security update to our employment records and DHRM workflow management.
- Robust data on each of our service lines, volume, throughput, accuracy, timeliness, etc.
  - Phase one implementation estimated June 2016
  - Phase two (recruitment) and other enhancements are planned
  - Phase three dashboards
  - This data will give us a better sense of where we can improve



# Questions?

