

**Testimony**  
**Engrossed House Bill 1012 – Department of Human Services**  
**Senate Appropriations**  
**Senator Holmberg, Chairman**  
**March 11, 2013**

Chairman Holmberg, and members of the Senate Appropriations Committee, I am Debra McDermott, Chief Financial Officer of the Department of Human Services (Department). I am here today to provide you an overview of the Administration/Support area of the Department.

**Programs**

This area of the budget includes the Executive Office, Legal Advisory Unit, Human Resources, and Fiscal Administration. Each of these areas provide the needed support for the divisions within the Department to carry out their programs. This budget area includes centralized costs for department-wide expenditures such as program appeals, audit fees charged by the State Auditor's Office, and legal work provided by the Attorney General's Office. Also included are the costs for the Central Office divisions for items such as motor pool expenses, postage for routine mailings such as federally required client notices, along with the telephone services provided by the Information Technology Department.

**Major Program Changes**

There have not been any program changes in this area.

## Overview of Budget Changes

Description	2011 - 2013 Budget	Increase / Decrease	2013 - 2015 Executive Budget	House Changes	To Senate
Salary and Wages	9,405,518	29,252,345	38,657,863	(16,808,311)	21,849,552
Operating	5,491,514	934,999	6,426,513	(750,000)	5,676,513
Total	14,897,032	30,187,344	45,084,376	(17,558,311)	27,526,065
General Funds	7,804,302	20,644,370	28,448,672	(13,018,676)	15,429,996
Federal Funds	7,092,730	9,542,974	16,635,704	(4,539,635)	12,096,069
Other Funds					
Total	14,897,032	30,187,344	45,084,376	(17,558,311)	27,526,065
FTE	65.6	1.0	66.6	(1.0)	65.6

### Budget Changes from Current Budget to the Executive Budget:

The Salary and Wages line item increased by \$29,252,345 and can be attributed to the following:

- \$24,358,884 in total funds, of which \$16,807,628 is general fund needed to fund the Governor’s salary package for the 2,197 department employees, located in the Central Office, Human Service Centers, and Institutions. The Governor’s salary package follows the compensation philosophy adopted in HB 1031 by the last Legislative assembly.
- \$229,977 in total funds, of which \$138,956 is general fund needed to fund the Governor’s benefit package for health insurance and retirement for the 66.6 employees in the Administration/Support area.
- \$3,768,000 in total funds, of which \$3,253,008 is general fund needed to fund the oil patch add-on for staff of the Williston, Minot, and Dickinson regions.
- \$224,748 in total funds, of which \$168,675 is general fund needed to fund the employee increases in the Administration/Support area approved by the last Legislative assembly.

- An increase of \$30,948 to cover an underfunding of salaries from the 2011-2013 budget.
- \$165,862 in total funds, of which \$81,571 is general fund needed for an attorney in the Legal Advisory Unit to assist with the additional workload resulting from the Affordable Care Act, and the continuing changes in other federal program requirements. The FTE was transferred from another area within the Department. This budget is not requesting the authorization of an additional FTE.
- \$305,785 in total funds, of which \$244,536 is general fund needed to fund a Deputy Director position. The previous Executive Director chose to leave this position vacant for the past few bienniums. This budget is not requesting the authorization of an additional FTE.
- The remaining \$168,141 is a combination of increases and decreases needed to sustain the salary of the 66.60 FTEs in this area of the budget.

The Operating line item increased by \$934,999 (17.03%) and is a combination of the increases and decreases expected next biennium.

Outlined below are the significant areas of change:

- \$330,257 increase in the Postage budget to continue the current routine mailings and to provide for a 3.5% postal rate increase anticipated in January of each year.
- \$291,378 increase in Professional Fees. \$165,558 is a result of a decrease in the utilization of services provided by the Attorney General's Office offset by the rate increase of 39% - from \$77.23 per hour to \$107.35 per hour. \$64,791 is a result of the decrease in the utilization of services by the Office of Administrative Hearings offset by the hourly rate increase of 20% - from \$125 per hour to

- \$150 per hour. The majority of the remaining increase is attributed to the expected increase in the audit fees of \$51,049.
- The increase of \$186,110 in Operating Fees and Services is mainly due to an increase in statewide indirect costs billed by the Office of Management and Budget (OMB).
  - \$145,716 is attributable to the increase in the Travel category of the budget. \$55,026 is related to an increase in the state fleet usage and an additional \$95,137 is related to an increase in the mileage rate established by the Department of Transportation from \$0.37 per mile to \$0.47 per mile. These increases are offset by a decrease in the number of planned overnight stays.
  - \$29,270 increase in Building Leases. \$28,874 is attributable to rate changes established by OMB – office space from \$10.21 to \$11.29 (10.6%) per square foot and storage space from \$1.42 to \$1.39 (-2.1%) per square foot. The payment to OMB is federal and other funds and contains no general funds.
  - A \$76,233 decrease in Insurance with the majority being a decrease by OMB for the Department's Central Office and Human Service Center risk management premium, offset by a 5% annual increase in the property insurance premium.

The general fund request increased by \$20,644,370 with \$20,060,636 or 97% of the increase related to the Governor's salary package for all Department employees and for the oil-patch add-on for Department employees in the Williston, Minot and Dickinson regions. The remaining \$329,387 is related to salary changes for the Administration/Support area as indicated above and \$254,347 is associated with the operating changes described above.

The net change of the federal and other funds is a result of the increases above and the approved cost allocation plan, which is the basis for the majority of the funding in this area of the budget.

### **House Changes:**

- The Employee Compensation and Benefit package was decreased by \$12,729,748 with \$8,767,311 being general fund.
- The Deputy Director position was removed from the budget. This included the FTE as well as funding of \$310,563, of which \$248,357 is general fund.
- The oil-patch add-on of \$3,768,000 in total funds, of which \$3,253,008 is general fund for staff of the Williston, Minot, and Dickinson regions was removed.
- As noted in Attachment G of the Department's overview testimony, a \$750,000 general fund reduction was made in operating expenditures for all central office divisions. This equates to a total operating reduction of approximately \$1,700,000, as general fund monies will not be available to match federal funds. The Department has fixed costs for items such as; legal fees, rent, ITS data processing and contractual services, Medicare clawback, and Risk Management and property insurance. These fixed costs are 57% of the operating budget. Another 40% is related to **program services** such as; JOBS, guardianship, sex offender treatment, special needs adoption, aging meal programs, and Children Health Insurance Program outreach. Therefore the \$1.7 million reduction would need to be made to the remaining \$5.1 million (or 3%) of the Department's operating budget, unless the **program services** noted above are reduced.

This concludes my testimony on the 2013–2015 budget request for Administration/Support area of the Department. I would be happy to answer any questions.