

Testimony
House Bill 1072 – Department of Human Services
House Appropriations - Human Resources Division
Representative Pollert, Chairman
January 9, 2017

Chairman Pollert, and members of the House Appropriations – Human Resources Division, 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 provides 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 and the Office of Administrative Hearings. Also included are the costs for the Central Office divisions for items such as motor pool expenses, postage for reoccurring program mailings such as federally required client notices, along with the telephone services provided by the Information Technology Department (ITD).

Program Trends/Program Changes

There have been no program changes in this area.

Overview of Budget Changes

Description	2015-2017 Budget	2017-2019 Executive Budget	Increase/ (Decrease)
Salary and Wages	17,379,688	17,468,620	88,932
Operating Expenses	7,607,337	8,632,536	1,025,199
Total	24,987,025	26,101,156	1,114,131

General Fund	14,700,552	16,170,285	1,469,733
Federal Funds	10,286,473	9,930,535	(355,938)
Other Funds	-	336	336
Total	24,987,025	26,101,156	1,114,131

Full Time Equivalent (FTE)	100.73	100.95	0.22
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Budget Changes from Current Budget to the Executive Budget:

The Salary and Wages line item increased by \$88,932 can be attributed to the following:

- \$355,640 in total funds, of which \$279,062 is general fund, needed to fund the Governor's compensation package for State employees.
- \$296,429 in total funds, of which \$201,553 is general fund needed to sustain the employee increases approved by the last Legislative Assembly.
- \$241,200 in total funds, of which \$184,999 is general fund, due to the requirements of the Fair Labor Standards Act.
- \$290,593 decrease in total funds due to excess salary authority included in the 2015-2017 appropriation.
- \$284,881 decrease in total funds, of which \$183,036 is general fund due to retirement or turnover of long term employees with new employees being hired at lower salary amounts.

- The remaining \$228,863 net decrease is a combination of increases and decreases needed to sustain the salary of the 100.95 FTEs in this area of the budget.

The Operating line item increased by \$1,025,199 and is mainly attributed to the following:

- \$1,022,124 increase in Fees-Professional Services. **\$598,388** is attributed to an increase in utilization of services and **\$46,450** due to rate increase of 2.64% - from \$138.44 per hour to \$142.09 per hour for services provided by the Office of Attorney General. **\$106,324** decrease is attributed to a decrease in utilization of services of the Office of Administrative Hearings. Hourly rate held even at \$190 per hour. **\$127,814** increase is attributed to an expected increase in the audit fees. The majority of the remaining increase or **\$349,816** is for outside legal representation.
- \$332,144 increase in Postage to continue the current reoccurring program mailings, and increased mailings due to new federal requirements and MMIS functionality for Early and Periodic Screening, Diagnosis and Treatment (EPSDT) notices, provider enrollment notices, and the Internal Revenue Service (IRS) 1095-B, Health Coverage form generated from the eligibility system to all Medicaid and CHIP recipients as required by the Affordable Care Act, while also budgeting for a 3% postal rate increase anticipated in January of each year.
- \$62,320 increase in IT Communications is mainly attributable to additional phones for the MMIS claims and call center staff, the additional staff for Medicaid Expansion, along with an increase in long distance and miscellaneous charges billed by ITD.

- \$47,066 increase in Rentals/Leases- Building/Land, which is mainly due to a **\$75,458** increase from rate changes offset by **\$22,271** decrease in statistics change established by OMB – office space from \$11.59 to \$14.38, 24.07% per square foot, and storage space from \$1.03 to \$1.38, 33.98% per square foot. The payment to the Office of Management and Budget (OMB) is federal funds and contains no general fund dollars.
- \$37,350 increase in Operating Fees and Services is mainly attributable to a **\$46,736** increase in the payment made to OMB for statewide indirect costs. This payment is all federal funds and contains no general fund dollars. This increase is offset by a decrease of **\$22,000** administrative legal contracts.
- \$35,556 increase in Printing is due to purchasing more envelopes to accommodate an increase in mailings as previously noted in the Postage increase above.
- \$116,454 decrease in Travel due to the Department-wide process used to develop the Department’s savings plan, offset by mileage rate increase included in the Department of Transportation budget guidelines from \$0.49 per mile to \$0.50 per mile.
- \$361,290 decrease in Office Equipment and Furniture due to completion of the Judicial Wing updates .

The general fund request increased by \$1,469,733 with \$279,062 or 19% of the increase related to Governor’s salary package for State employees. The remaining change in general fund as well as the net change of the federal and other funds is mainly a result of the changes above and the approved cost allocation plan, which is the basis for the majority of the funding in this area of the budget.

This concludes my testimony on the 2017–2019 budget requests for the Administration/Support area of the Department. I would be happy to answer any questions.