

Testimony
Engrossed Senate Bill 2012 – Department of Human Services
House Appropriations – Human Resources Division
Representative Pollert, Chairman
March 5, 2015

Chairman Pollert, and members of the House Appropriations Committee – Human Resources Division, I am Debra McDermott, Chief Financial Officer for the Department of Human Services (Department). I am here today to provide 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.

Major Program Changes

There have been no program changes in this area.

Overview of Budget Changes

Description	2013-2015 Budget	Increase / (Decrease)	2015-2017 Executive Budget	Senate Changes	2015-2017 Budget To House
Salary and Wages	12,482,009	12,678,745	25,160,754	(11,713,103)	13,447,651
Operating	7,219,977	(79,895)	7,140,082	368,730	7,508,812
Total	19,701,986	12,598,850	32,300,836	(11,344,373)	20,956,463
General Fund	10,357,898	11,118,725	21,476,623	(10,197,091)	11,279,532
Federal Funds	9,344,088	1,462,996	10,807,084	(1,130,153)	9,676,931
Other Funds	0	17,129	17,129	(17,129)	0
Total	19,701,986	12,598,850	32,300,836	(11,344,373)	20,956,463
Full Time Equivalent (FTE)	78.7	0.0	78.7	0.0	78.7

The Salary and Wages line item increased by \$12,678,745 and can be attributed to the following:

- \$6,207,841 in total funds, of which \$5,959,527 is general fund needed to fund the Governor’s Department-wide occupational salary adjustment to recruit and retain staff in hard to fill positions.
- \$4,899,303 in total funds, of which \$4,080,535 is general fund needed to fund the Governor’s market policy point package for the 2,224.58 Department employees in accordance with the compensation philosophy statement in NDCC 54-44.3-01.2.
- \$1,080,922 in total funds, of which \$773,077 is general fund needed to fund the Governor’s compensation package for the 78.70 employees in the Administration/Support area.

- \$215,003 in total funds, of which \$143,801 is general fund needed to continue the employee increases in the Administration/Support area approved by the last Legislative Assembly.
- \$167,431 in total funds, of which \$87,533 is general fund needed to continue the support for a records manager in the Legal Advisory Unit to assist with the development, implementation and management of policies and procedures to ensure compliance with state record management laws and regulations for electronic and paper records. The FTE was transferred from another area within the Department during the current biennium. This budget is not requesting the authorization of an additional FTE.
- The remaining \$108,245 increase is a combination of increases and decreases needed to sustain the salary of the 78.70 FTEs in this area of the budget.

The Operating line item decreased by \$79,895 and is mainly attributed to the following:

- \$448,063 increase in Professional Fees. **\$280,067** is mainly the result of a rate increase of 28.96% - from \$107.35 per hour to \$138.44 per hour for services provided by the Office of Attorney General. **\$129,729** is the result of the Office of Administrative Hearings hourly rate increase of 26.67% - from \$150 per hour to \$190 per hour, offset by a decrease in the utilization of these services. The majority of the remaining increase is attributed to an expected increase in the audit fees of **\$38,117**.
- \$266,318 increase in Operating Fees and Services which is mainly due to an increase in statewide indirect costs billed by the Office of Management and Budget (OMB). The payment to OMB is federal funds and contains no general fund dollars.

- \$27,892 increase in Building Leases. **\$20,974** is attributable to rate changes established by OMB – office space from \$11.29 to \$11.59 (2.66%) per square foot and storage space from \$1.39 to \$1.03 (-25.90%) per square foot. The payment to OMB is federal and other funds and contains no general fund dollars. **\$4,740** is attributed to the rate change established by Workforce Safety and Insurance for the Century Center – office space from \$14.50 to \$16.00 (10.35%) per square foot.
- \$26,968 decrease in Travel is mainly related to a decrease in the state fleet usage, offset by a mileage rate increase established by the Department of Transportation from \$0.47 per mile to \$0.49 per mile, and an additional charge for depreciation on vehicles assigned to the Department.
- \$93,682 decrease in Postage to continue the current reoccurring program mailings, while also budgeting for a 5% postal rate increase anticipated in January of each year.
- \$700,000 decrease in Miscellaneous Supplies due to excess federal authority added in the last budget.

The general fund request increased by \$11,118,725 with \$10,813,139 or 97% of the increase related to the Governor’s occupational salary adjustment, and the market policy point packages for Department employees as well as the salary compensation package for the Administration/Support area. The remaining \$305,586, or 3% is related to salary and operating changes for the Administration/Support area as 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.

Senate Changes:

\$11,344,373 in total funds, of which \$10,215,622 is general fund to decrease the Governor's compensation package to reflect a change in the state employee performance increase from 3% - 5% to 2% - 4%, remove market policy point equity increase, remove the occupational salary adjustment, and to remove the 1% retirement contribution.

Unreconciled Changes made by Legislative Council consist of the Salary and Wages being understated by \$368,730 and Operating being overstated by \$368,730, with the general fund being overstated and federal funds being understated by \$18,531.

This concludes my testimony on the 2015–2017 budget request for the Administration/Support area of the Department. I would be happy to answer any questions.