

Arizona Department of Administration
Human Resources

A.R.S. § 41-761

JLBC Analyst: Tyler Palmer

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	174.0	174.0	174.0
Personal Services	6,777,400	9,258,200	9,629,100
Employee Related Expenditures	1,808,300	2,633,200	3,018,300
Professional and Outside Services	4,325,400	2,104,000	2,108,100
Travel - In State	17,500	19,500	19,500
Travel - Out of State	4,500	3,000	3,000
Other Operating Expenditures	3,330,700	3,081,100	3,095,400
Equipment	190,000	128,000	128,000
OPERATING SUBTOTAL	16,453,800	17,227,000	18,001,400
SPECIAL LINE ITEMS			
Employee Wellness Program	0	0	500,000 ^{1/}
Human Resources Information Solution COP	2,294,700	2,838,600	4,077,000
PROGRAM TOTAL	18,748,500	20,065,600	22,578,400^{2/}
FUND SOURCES			
General Fund	0	0	500,000 ^{1/}
<u>Other Appropriated Funds</u>			
Personnel Division Fund	13,990,200	15,185,200	17,057,800
Special Employee Health Insurance Trust Fund	4,758,300	4,880,400	5,020,600
SUBTOTAL - Other Appropriated Funds	18,748,500	20,065,600	22,078,400
SUBTOTAL - Appropriated Funds	18,748,500	20,065,600	22,578,400
Other Non-Appropriated Funds	509,801,300	551,909,700	551,909,700
TOTAL - ALL SOURCES	528,549,800	571,975,300	574,488,100

COST CENTER DESCRIPTION — The Human Resources Division is the state personnel office, providing employee benefits, among other services. The division oversees Arizona Government University (AzGU), which offers centralized training to state employees on a variety of topics. The division's operating budget is funded through a permanent statutory charge to state agency payrolls of 1.04%.

PERFORMANCE MEASURES	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2007 Approved
• Customer satisfaction with employee training (Scale 1-8)	5.4	5.9	5.7	6.1
• Customer satisfaction with benefit plans (Scale 1-8) Comments: The agency began self-administering the health, dental, and vision insurance in October 2004.	5.5	6.1	6.2	6.2

^{1/} Laws 2006, Chapter 350 appropriation of \$500,000.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Fund.

Operating Budget

The budget provides \$18,001,400 for the operating budget in FY 2007. This amount consists of:

	<u>FY 2007</u>
Personnel Division Fund	\$12,980,800
Special Employee Health Insurance Trust Fund (HITF)	5,020,600

Statewide Adjustments

These amounts include an increase of \$760,100 for statewide adjustments. This amount consists of:

Personnel Division Fund	623,700
Special Employee Health Insurance Trust Fund (HITF)	136,400

(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)

Rent Increases

The budget includes an increase of \$14,300 in FY 2007 for lease-purchase and privatized lease-to-own agreements. This amount consists of:

Personnel Division Fund	10,500
Special Employee Health Insurance Trust Fund (HITF)	3,800

Special Line Items

Employee Wellness Program

The State Government Budget Reconciliation Bill (Laws 2006, Chapter 350) provides \$500,000 from the General Fund in FY 2007 for the new Employee Wellness Program line item.

This line item will fund a one-time vendor contract to conduct employee wellness screening and provide wellness feedback to participants. Last year the wellness program offered a health risk assessment survey, but it did not provide pre-survey wellness screening or post-survey health coaching. Both of these services will be added through the vendor contract. The department plans to add a \$120 rebate from HITF to increase participation from last year's 17% to an estimated 50%-60%.

The expanded health risk assessment program will add to the wellness program's current services of flu shots, cancer screenings, weight management programs, and the wellness newsletter.

Human Resources Information Solution COP

The budget provides \$4,077,000 from the Personnel Division Fund for the Human Resources Information Solution (HRIS) Certificates of Participation (COPs) in FY 2007.

Debt Service Increase

The approved amount includes an increase of \$1,238,400 from the Personnel Division Fund in FY 2007 for increased debt service costs.

This line item funds semi-annual payments made on the COP issued to fund the HRIS. HRIS replaced the Human Resources Management System in FY 2004. The HRIS portion of the COP involved a principal amount of approximately \$35 million. The first payment was made in FY 2002. Total interest costs for the COP are projected to be \$15.6 million over its 12-year term.

Additional Legislation

Transfer to HITF

The Supplemental Appropriations Budget Reconciliation Bill (Laws 2006, Chapter 316) includes a one-time transfer of \$10,000,000 from the General Fund to the Special Employee Health Insurance Trust Fund (HITF) in FY 2006. This deposit was not included in the ADOA budget for FY 2006.

This transfer will replace the funding reduction in HITF due to the reduced contributions from the Arizona Department of Corrections (ADC) as described in Laws 2006, Chapter 316, Section 4. Agencies usually pay a predetermined amount from their General Fund budget for health insurance based on their budgeted number of FTE Positions. However, due to vacancies the ADC health costs were estimated to be \$10,000,000 less than the original estimate. The ADC was allowed to retain this \$10,000,000 to offset other budget shortfalls.

Health Insurance Benefits Program

The Health and Welfare Budget Reconciliation Bill (Laws 2006, Chapter 331) made several modifications to permanent and session laws regulating the HITF.

- As permanent law, future annual reports will include a description of the actuarial assumptions, the methodology used to set the premiums and reserve balance, the actuarial soundness of the program for the previous and current plan years, and a preliminary estimate of the premiums and reserve balance for the next plan year.
- As session law, prohibit the department from making changes to the health insurance benefit program without legislative approval.
- As session law, prohibit the department from implementing a differentiated health insurance premium based on integrated or non-integrated status of a health insurance provider available to state employees.