

**Arizona Department of Administration**  
**Human Resources**

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DESCRIPTION	FY 2005 ACTUAL	FY 2006 ESTIMATE	FY 2007 JLBC
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	174.0	174.0	174.0
Personal Services	6,777,400	9,114,100	9,114,100
Employee Related Expenditures	1,808,300	2,592,200	2,592,200
Professional and Outside Services	4,325,400	2,102,800	2,102,800
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
<b>OPERATING SUBTOTAL</b>	<b>16,453,800</b>	<b>17,040,700</b>	<b>17,055,000</b>
<b>SPECIAL LINE ITEMS</b>			
Human Resources Information Solution COP	2,294,700	2,838,600	4,077,000
<b>PROGRAM TOTAL</b>	<b>18,748,500</b>	<b>19,879,300</b>	<b>21,132,000</b>

<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Personnel Division Fund	13,990,200	15,034,000	16,282,900
Special Employee Health Insurance Trust Fund	4,758,300	4,845,300	4,849,100
SUBTOTAL - Other Appropriated Funds	18,748,500	19,879,300	21,132,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>18,748,500</b>	<b>19,879,300</b>	<b>21,132,000</b>
Other Non-Appropriated Funds	509,801,300	551,909,700	551,909,700
<b>TOTAL - ALL SOURCES</b>	<b>528,549,800</b>	<b>571,789,000</b>	<b>573,041,700</b>

CHANGE IN FUNDING SUMMARY	FY 2006 to FY 2007 JLBC	
	\$ Change	% Change
Other Appropriated Funds	1,252,700	6.3%
Total Appropriated Funds	1,252,700	6.3%
Non Appropriated Funds	0	0.0%
Total - All Sources	1,252,700	0.2%

**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 JLBC
• Customer satisfaction with employee training (Scale 1-8)	5.4	5.9	5.7	6.1
• Customer satisfaction with benefit plans (Scale 1-8)	5.5	6.1	6.2	6.2

Comments: The agency began self-administering the health, dental, and vision insurance in October 2004. Beginning in FY 2005, the customer satisfaction survey portrays a reflection of this change.

**RECOMMENDED CHANGES FROM FY 2006**

**Operating Budget**

The JLBC recommends \$17,055,000 for the operating budget in FY 2007. This amount consists of:

	<b>FY 2007</b>
Personnel Division Fund	\$12,205,900
Special Employee Health Insurance Trust Fund (HITF)	4,849,100

These amounts include the following adjustments:

**Standard Changes** **OF 14,300**  
The JLBC recommends an increase of \$14,300 for lease-purchase and privatized lease-to-own agreements. This amount consists of:

Personnel Division Fund	10,500
HITF	3,800

**Special Line Items**

**Human Resources Information Solution COP**

The JLBC recommends \$4,077,000 from the Personnel Division Fund for the Human Resources Information Solution (HRIS) Certificates of Participation (COPs) in FY 2007. This amount would fund the following adjustment:

**Increased Debt Service** **OF 1,238,400**  
The JLBC recommends an increase of \$1,238,400 from the Personnel Division Fund in FY 2007 for increased debt service.

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. This line

item does not include any FTE Positions. 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.

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**JLBC RECOMMENDED FORMAT** — Operating Lump Sum with Special Line Items by Fund

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

**Auditor General Recommendation**

The Auditor General completed an audit of the Human Resource Division in FY 2005. In the audit, the Auditor General discussed 2 findings. The first finding was that the department should strengthen its management of the self-funded health benefits program. To accomplish this objective the Auditor General recommended the department more clearly define the role, activities, and requirements of its consultant; increase oversight of health care vendors through the use of performance measures and operational and financial reviews; and create a staffing plan.

The Auditor General's second finding was that additional measures should be taken to ensure sound operations of the self-funded health benefits program. To accomplish this objective the Auditor General recommended that the department require its vendors to annually receive independent audits covering their claims payment processes and claims payment data; verify vendors' audits with benefit plan provisions and eligibility data; and apply recommendations from the August 2005 consultant's report on the department's processes, staff roles, and technology support of eligibility determination and eligibility data transfer.

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**SUMMARY OF FUNDS - SEE AGENCY SUMMARY**

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