

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	174.0	174.0	177.0
Personal Services	6,651,900	8,827,800	9,900,200
Employee Related Expenditures	1,992,900	3,045,000	3,417,400
Professional and Outside Services	2,121,900	1,887,900	1,643,500
Travel - In State	16,600	18,000	18,000
Travel - Out of State	5,600	6,000	6,000
Other Operating Expenditures	5,188,600	4,088,700	4,223,400
Equipment	30,800	128,000	137,000
<b>OPERATING SUBTOTAL</b>	<b>16,008,300</b>	<b>18,001,400</b>	<b>19,345,500</b>
<b>SPECIAL LINE ITEMS</b>			
Employee Wellness Program	0	500,000	300,000
Health Savings Account Plan Design	0	0	100,000
Human Resources Information Solution COP	2,838,600	4,077,000	4,239,100
<b>PROGRAM TOTAL</b>	<b>18,846,900</b>	<b>22,578,400</b>	<b>23,984,600<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	0	500,000	0
<u>Other Appropriated Funds</u>			
Personnel Division Fund	14,933,800	17,057,800	18,437,500
Special Employee Health Insurance Trust Fund	3,913,100	5,020,600	5,547,100
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>18,846,900</b>	<b>22,078,400</b>	<b>23,984,600</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>18,846,900</b>	<b>22,578,400</b>	<b>23,984,600</b>
Other Non-Appropriated Funds	588,043,800	610,060,100	610,060,100
<b>TOTAL - ALL SOURCES</b>	<b>606,890,700</b>	<b>632,638,500</b>	<b>634,044,700</b>

**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 1.07%.

	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2008 Approved
<b>PERFORMANCE MEASURES</b>				
• Customer satisfaction with employee training (Scale 1-8)	5.9	5.7	NA	6.1
Comments: The agency did not submit information for this measure in FY 2006 as required by the General Appropriation Act. The agency reports that it will resume administering the customer satisfaction survey in FY 2007.				
• Customer satisfaction with benefit plans (Scale 1-8)	6.1	6.2	NA	6.2
Comments: The agency did not submit information for this measure in FY 2006 as required by the General Appropriation Act. The agency reports that it will resume administering the customer satisfaction survey in FY 2007.				

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Fund.

## **Operating Budget**

The budget provides \$19,345,500 and 177 FTE Positions for the operating budget in FY 2008. These amounts consist of:

	<b>FY 2008</b>
Personnel Division Fund (PDF)	\$14,198,400
Special Employee Health Insurance Trust Fund (HITF)	5,147,100

These amounts fund the following adjustments:

### **Statewide Adjustments**

The budget provides an increase of \$529,700 in FY 2008 for statewide adjustments. This amount consists of:

Personnel Division Fund	433,200
HITF	96,500

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

### **Auditor Positions**

The budget provides an increase of \$256,800 and 3 FTE Positions from HITF in FY 2008 for 3 new auditor positions. Of the budgeted amount \$6,000 is for one-time program start-up costs.

The additional FTE Positions would comply with the Auditor General's recommendation to strengthen management of the health benefits program. Of the 3 new FTE Positions, 2 will be responsible for implementing a program of operational and financial audits, and 1 will be responsible for implementing a program of claims data audits.

### **Consultant Services Decrease**

The budget provides a decrease of \$(256,800) from HITF in FY 2008 for decreasing the health insurance benefit program's reliance on outside consultants and funding 3 new auditor positions.

### **Lease Backfill**

The budget provides an increase of \$69,900 in FY 2008 to fund lease-purchase and privatized lease-to-own increases from prior years. This amount consists of:

Personnel Division Fund	39,900
HITF	30,000

The department was appropriated a total of \$100,000 from Other Appropriated Funds for this issue.

### **Human Resources Pro Rata Increase**

The budget provides \$744,500 from Personnel Division Fund in FY 2008 to fund 15 vacant positions within the Human Resources Division. This increase will be supported by an increase in the Human Resources pro rata

assessment, which the Budget Procedures Budget Reconciliation Bill (BRB) (Laws 2007, Chapter 259) increased from 1.04% to 1.07%. This assessment is charged to state agency payrolls to fund Human Resources services from the department.

## **Special Line Items**

### **Employee Wellness Program**

The budget provides \$300,000 from the Special Employee Health Insurance Trust Fund in FY 2008 for the Employee Wellness Program. This amount funds the following adjustment:

#### **One-time Appropriation**

The budget provides a decrease of \$(200,000) in FY 2008 for removing one-time funding. This amount consists of:

General Fund	(500,000)
HITF	300,000

This line item funds a vendor contract to conduct employee wellness screenings and provide wellness feedback to participants. As the program is intended to reduce overall health insurance costs, the Special Employee Health Insurance Trust Fund, which consists of health insurance contributions, will provide for the program's long-term funding.

### **Health Savings Account Plan Design**

The budget provides \$100,000 from HITF in FY 2008 to fund the design of Health Savings Account (HSA) and Health Reimbursement Account (HRA) programs within the self-insurance program.

A Health Savings Account provides tax-preferred savings to reimburse out-of-pocket medical expenses, and would be paired with a high-deductible health plan. A Health Reimbursement Account is also a tax-preferred savings account for qualifying medical expenses. Unlike the HSA, the balance of a Health Reimbursement Account cannot be invested and does not belong to the employee. The Health and Welfare Budget Reconciliation Bill, (Laws 2007, Chapter 263), instructs the department to develop a health plan for use in conjunction with these accounts.

### **Human Resources Information Solution COP**

The budget provides \$4,239,100 from the Personnel Division Fund for the Human Resources Information Solution (HRIS) Certificates of Participation (COPs) in FY 2008. This amount funds the following adjustment:

#### **Debt Service Increase**

The budget provides an increase of \$162,100 from the Personnel Division Fund in FY 2008 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 \$35,000,000. The first payment was made in FY 2002. Total interest costs for the COP are projected to be \$15,600,000 over its 12-year term.

#### ***Additional Legislation***

The Health and Welfare Budget Reconciliation Bill (Laws 2007, Chapter 263) requires the department to report all changes to the type of employee health benefits as well as the cost for the upcoming plan year 45 days prior to making the change.

Chapter 263 also continues to prohibit the department from implementing a differentiated health insurance premium in FY 2008 based on the integrated or non-integrated status of the provider beginning October 1, 2007.