

**CORRECTED MINUTES OF THE
JOINT CAPITAL FACILITIES & ADMINISTRATIVE SERVICES
APPROPRIATIONS SUBCOMMITTEE
THURSDAY, JANUARY 19, 2006, 2:00 P.M.
RoomW025, West Office Building, State Capitol Complex**

Members Present: Sen. Bill Hickman, Committee Co-Chair
Rep. D. Gregg Buxton, Committee Co-Chair
Sen. Mike Dmitrich
Rep. Roger Barrus
Rep. DeMar “Bud” Bowman
Rep. Stephen Clark
Rep. Wayne A. Harper
Rep. Fred R. Hunsaker
Rep. Janice M. Fisher
Rep. Michael T. Morley

Members Excused: Sen. Peter Knudson
Pres. John Valentine
Rep. Ralph Becker

Staff Present: Steve Allred, Fiscal Analyst
Jonathan Ball, Technology Analyst
Todd Wardrop, Fiscal Analyst
Bonnie Brinton, Committee Secretary

Public Speakers Present: D'Arcy Dixon Pignanelli, Executive Director, Department of
Administrative Services
Kim Christensen, Deputy Director, Department of Administrative
Services
Douglas Richins, Director, Division of Purchasing and General
Services
Margaret Chambers, Acting Director, Division of Fleet Operations
Steve Hewlett, Acting Director, Division of Risk Management
Bruce Whittington, Assistant Director, Division of Facilities
Construction and Management
Jeff Herring, Executive Director, Department of Human Resource
Management
Randa Bezzant, Analyst, Governor's Office of Planning and
Budget

A list of visitors and a copy of handouts are filed with the committee minutes.

Co-Chair Buxton called the meeting to order at 2:10 p.m.

1. Approve Minutes

MOTION: Rep. Bowman moved to approve the minutes of the meeting held January 10, 2006. The motion carried unanimously with Sen. Dmitrich and Reps. Barrus and Clark absent for the vote.

2. Internal Service Fund Budgets

a. DAS Office of State Debt Collection (OSDC)

D'Arcy Dixon Pignanelli, Executive Director, Department of Administrative Services, reported that Robert Johnson was not able to be present at the meeting because he had surgery yesterday. She gave the presentation for him. Kim Christensen, Deputy Director, assisted in the presentation. Ms. Pignanelli stated that there were no rate changes, no changes in the five FTE, and no capital outlay for this division. Since the OSDC is not a true Internal Service Fund, the division is considering requesting legislation to make the budget an appropriated one.

Mr. Steve Allred, Fiscal Analyst, explained the impact of all recommended ISF rate changes on state agencies. He recommends the Legislature appropriate funds to the agencies to cover the impacts, as it has in the past. The overall impact is as follows:

| | |
|------------------------|------------|
| Funding Sources Totals | |
| General Fund | \$158,400 |
| School Funds | \$ 82,900 |
| Other Funds | \$427,000 |
| | |
| Total | \$ 668,300 |

Mr. Allred reviewed the rates of OSDC.

MOTION: Rep. Harper moved adoption of the fees and the budget for the Office of State Debt Collection as presented. The motion passed unanimously, with Sen. Dmitrich and Rep. Barrus absent for the vote.

b. DAS General Services - Douglas Richins, Director, Division of Purchasing and General Services

Mr. Richins reported that this division has a net reduction in FTE and the elimination of most print services rates. The function of the eliminated FTEs has been outsourced.

Mr. Allred stated that this division will collect less in 2006 and 2007; and as a result, the revenue estimate is being reduced. He noted two new fees which are proposed for FY 2007: a Contract Management fee of .005 which will result in a revenue increase of \$78,000 and a Debt Elimination fee of .004 which will result in a revenue increase of \$62,400.

MOTION: Rep. Hunsaker moved adoption of the fees and the budget for the Division of General Services as presented. The motion passed unanimously.

c. Division of Fleet Operations - Margaret Chambers, Acting Director

Ms. Chambers reported that the division is asking for one rate change in the mileage fee. This will result in an impact of \$1,216,000 and is a result of fuel price increases.

Mr. Allred gave an overhead presentation regarding his analysis of the Division of Fleet Operations. He reported that fuel prices are expected to continue to be highly volatile in 2006. In addition, he stated that the Motor Pool Program's net operating income has been negative for the past three years. A rate increase authorized last year may help the Program's operating income return to positive in FY 2006, depending on actual fuel prices. FY 2005's closing retained earnings was \$1.8 million, down from \$4.1 million in FY 2001.

MOTION: Rep. Hunsaker moved adoption of the fees and the budget for the Division of Fleet Operations as presented. The motion passed unanimously with Sen. Dmitrich and Rep. Clark absent for the vote.

d. DAS Risk Management - Steve Hewlett, Acting Director

Mr. Hewlett reported a net rate decrease of \$474,900 which combines an increase in property rates of \$746,157, a decrease in liability premiums of \$1,194,814, a decrease in automobile physical damage of \$35,000, and an increase due to miscellaneous adjustments of \$8,700.

Mr. Allred stated that this division is performing well, particularly managing liability premiums.

MOTION: Co-Chair Hickman moved adoption of the fees and the budget for the

Division of Risk Management as presented. The motion passed unanimously with Sen. Dmitrich and Rep. Clark absent for the vote.

e. DAS Facilities Management - Bruce Whittington, Assistant Director

Mr. Whittington is requesting changes to 10 individual rates, including nine increases and one decrease. The net adjustment for FY 2006 is a decrease of \$191,358. As a result of adding two new buildings, there is a need for three new FTE and two vehicles.

The Analyst noted combined rate adjustments of a decrease in FY 2006 of \$191,358 and an increase in FY 2007 of 642,472.

MOTION: Rep. Bowman moved adoption of the fees and the budget including three new FTE for the Division of Facilities Management as presented. The motion passed unanimously with Sen. Dmitrich and Rep. Clark absent for the vote.

f. DHRM Field Service - Jeff Herring, Executive Director

Mr. Herring reported that over the interim GOPB and DHRM worked with state agencies to determine people to be transferred, rates to be charged and budget impacts. He gave much of the credit for accomplishing this to Randa Bezzant, Analyst, GOPB. Ms. Bezzant stated that consolidation of all HR functions into one department resulted in the best solution to keeping the process revenue neutral.

Mr. Allred reviewed the results of House Bill 319, 2005 General Session, as essentially affecting two issues in the DHRM:

1. Changed the department to a division within the Department of Administrative Services, effective July 1, 2006. However, House Bill 269 in the 2006 General Session may reverse this action and keep the agency as a department.
2. Consolidated all human resource management functions statewide by taking existing HR staff located in other state agencies and making them employees of DHRM. All of their functions will now be provided centrally.

The Analyst discussed the financial issues related to consolidation of all HR functions into the new agency. Namely, how to fund employees who were formerly in agencies with general funds, school funds, restricted funds, dedicated credits, and federal funds, now that they work for a General Fund agency? The fiscal note on H.B. 319 stated that the consolidation would be revenue neutral. Shifting all the costs to the General Fund

was not a viable alternative.

Further, the total human resource and payroll budget to be transferred to DHRM is approximately \$11.3 million. The existing funding source ratios are approximately 59% General Fund, 5% school funds, 9% Transportation Fund, 21% federal funds, and 5% restricted funds.

Mr. Allred stated that the proposed solution is to create an internal service fund (ISF) within DHRM. This way, non-state funds can continue to be appropriated to the customer agencies, which can in turn use those funds to pay a rate for services provided by DHRM. House Bill 269 will attempt to establish an internal service fund in DHRM. DHRM would continue to receive a direct appropriation for its statewide administrative functions, as it does now.

The methodology used in calculating the rate to be charged was taking the burdened budgets of all employees currently performing HR work and dividing it by the total actual FTE (by hours worked) in the agency. This resulted in a statewide average cost of \$520 per year per FTE for HR management, and \$130 per year per FTE for payroll management. These are the proposed rates and may change next year.

Since the \$520 per year per FTE is a statewide average, some agencies are currently paying more and some are paying less. The impact to each agency was calculated by taking the difference in the cost of the new rate and the positions currently budgeted. The total budget impact which is the difference between cost of transferred FTE and proposed DHRM rates is a decrease of \$57,500.

MOTION: Rep. Harper moved adoption of the fees and the budget for the Department of Human Resources Management ISF as presented. The motion passed unanimously with Sen. Dmitrich and Rep. Clark absent for the vote.

MOTION: Co-Chair Hickman moved to adjourn the meeting. The motion passed unanimously with Sen. Dmitrich and Rep. Clark absent for the vote.

The meeting was adjourned at 3:50 p.m. by Co-Chair Buxton.

The minutes were reported by Bonnie Brinton.

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Sen. Bill Hickman
Committee Co-Chair

Rep. D. Gregg Buxton
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