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House Bill 5190 (Substitute S-1 as reported) Sponsor: Representative Philip J. LaJoy

House Committee: Employment Relations, Training and Safety

Senate Committee: Local, Urban and State Affairs

CONTENT

The bill would create the "Consolidated Human Resource Operations Act" and create a new "Office of Human Resource Operations" with the responsibility for leading efforts to consolidate and reorganize all State human resource operations within the executive branch. Upon completion of the consolidation and reorganization, all human resource operations authority, duties, functions, personnel, equipment, and budgeting resources in the executive branch, including payroll and benefit administration, would have to be conducted in the Office. "Executive branch" would mean the executive branch of the State government, excluding the Department of the Attorney General and the Department of State.

Within 120 days of the bill's effective date, the State Personnel Director would have to hire an executive director of the proposed Office with expertise in human resource operations, to serve under the Personnel Director. The executive director would have to create, develop, and implement a business plan and otherwise assist the Office in consolidating and reorganizing all human resource operations in the executive branch into the Office by September 30, 2004. By that date, the Office would have to develop standard operating procedures and policies; develop service-level agreements; and determine the true costs of providing human resource services before and after the consolidation.

The executive director would have to provide progress reports to the House Employment Relations, Training and Safety Committee and the Senate Government Operations Committee every three months until the consolidation and reorganization were complete, then every six months for the next 18 months. The progress reports would have to indicate the total savings achieved; the reduction in State employees, if any; and the current status of human resource services in the Office.

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The Governor's FY 2004-05 budget recommendation includes a Human Resources Optimization proposal that would use the Human Resources Management Network (HRMN)¹⁾ to consolidate and standardize the processing of certain routine transactions and services for State employees.²⁾ The centralized Human Resource Service Center would be housed in the Department of Civil Service and technical maintenance provided by the Department of Information Technology. The Governor's budget proposal includes a net reduction of \$2 million and 70 FTE positions related to the Optimization Project. First-year savings before start-up costs resulting from the initial consolidation would be approximately \$5.1 million.

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The Department of Civil Service appropriation for the Human Resources Optimization Center would total 30.0 FTEs/\$2 million, and the appropriation for the Department of Information Technology would be 4.0 FTEs/\$1,070,900. The consolidation effort also envisions the centralization of other human resource functions, such as classification and pay adjustments, that would result in the elimination through attrition over five years of an additional 70.0 FTEs, resulting in additional savings of \$4 million annually.

House Bill 5190 (H-1) would require the consolidation and reorganization of all human resource operations in the executive branch, with the exception of the Department of Attorney General and the Department of State, into the proposed Office of Human Resource Operations. The extent to which this requirement could achieve savings beyond the level being pursued by the current administration is not determinable. Certain functions, while consolidated under one office, might still have to be housed in individual departments. Pursuant to Section 504 of Public Act 161 of 2003 (FY 2003-04 General Government appropriation bill), the Department of Civil Service compiled a report regarding human resource offices for all executive branch departments. According to the report, human resource office appropriations in FY 2002-03 included 541.0 FTE positions and \$39.0 million.

Date Completed: 3-15-04 Fiscal Analyst: Bill Bowerman

¹⁾HRMN is the Statewide integrated payroll, personnel, and benefits system.

²⁾Budgets excluded from this proposal include the Department of Attorney General, the Department of State, the Legislature, and the Judiciary.