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**Department of Human
Resources
Board Meeting
August 2008**

What has happened since our last Board Meeting? **DRAFT**

Due to a continued decline in projected state revenues, in a memo dated August 1 from the Governor's Office of Planning and Budget all state agencies are required to submit budget reduction plans of 6%, 8% and 10% for both Amended FY 2009 and FY 2010.

As a result of this action, we were instructed to do the following:

1. **Reduce our quarterly allotment request (i.e. request for funds) by 6% ; in other words, we should take appropriate and immediate action to reduce our expenditures by 6%**
2. **Suspend all State Employee Hiring**
3. **Place a Moratorium on Travel**
4. **Place a Moratorium on Vehicle Purchases**
5. **Place a Moratorium on Equipment Purchases**

What has been our response?

- 1. We have decreased our allotment request while at the same time identifying specific areas for immediate spending reductions. We are working closely with the Governor's Office of Planning and Budget in managing our cash flow position.**
- 2. We have, as directed, placed moratoriums on travel, vehicle and equipment purchases.**
- 3. We have received exceptions to the hiring suspension from the State Office of Planning and Budget for Adult Protective Services and Child Welfare Case Workers and their direct-line Supervisors; and all direct-care staff at state hospitals.**

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How have we addressed finding the 6%, 8% and 10% reductions?

Our guiding principle:

The people who need our services and the children in our care remain our top priority. As such:

- 1. We looked at administrative reductions wherever possible to protect services as much as we could:**
 - a. Merit increases slated for January '09 are being suspended until further notice.**
 - b. Mandatory furlough for all employees at or above Pay Grade 15 – September. 08 – June 09.**
 - c. Suspension of hiring. Any and all hires must go through critical hire process no matter if they are funded with State, Federal or other funding sources.**
 - d. Limiting of non-essential travel for state business including conference attendance.**
 - e. Suspension of all vehicle purchases until further notice; no matter if they are funded with State or Federal monies.**
 - f. Suspension of ALL equipment and supply purchases for the next 90 days. Only equipment and supplies necessary to protect the health and safety of our customers and workforce will be considered for an exemption and must be approved in advance by our Chief Financial Officer.**
 - g. Hold implementation of “new” projects added in the FY 09 appropriated budget.**
- 2. We used our zero based budgeting methodology shared with you in our July Board meeting to prioritize our spending and to identify areas of reductions.**

DHR Budget Reductions**Directions from the Governor's Office in July
State Funds Only**

	<u>FY09</u>	<u>FY10</u>
FY09 Appropriations (Base)	1,620,323,103	1,620,323,103
Items not requiring reduction:		
Mental Health	(785,393,847)	(785,393,847)
Payments to GTA	(7,110,566)	(21,331,698)
Annualizers		18,516,533
One-time Funding		(679,513)
Adjusted FY09 Base Budget	827,818,690	831,434,578
3.5% FY09A Reduction	28,973,654	
4% FY10 Reduction		33,257,383

DHR Budget Reductions

Directions from the Governor's Office in August
State Funds Only

	<u>FY09</u>	<u>FY10</u>
FY09 Appropriations (Base)	1,620,323,103	1,620,323,103
Items not requiring reduction:		
SHBP	(53,224,067)	(33,065,406)
Merit Increases	(18,516,533)	(18,516,533)
Payments to GTA	(7,110,566)	(21,331,698)
Workman's Comp	(1,960,763)	
One Time Funding		(400,000)
Transfer to DCH *		(4,959,789)
Adjusted FY09 Base Budget	1,539,511,174	1,542,049,677

	<u>FY09 Amended</u>	<u>FY10</u>
6% Reduction	92,370,670	92,522,981
8% Reduction	123,160,894	123,363,974
10% Reduction	153,951,117	154,204,968

The Governor's Office of Planning and Budget has advised us to consider all FY10 Budget Reductions as permanent reductions to our base.

*Estimated transfer of funds to DCH as a result of Senate Bill 433



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Departmental Administration

Department of Human Resources Departmental Administration

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Budget Reduction Plan - Fiscal Year 2009

State Funds, Base Budget, FY 2009

\$94,033,146

Reduction Priority	Program / Subprogram / Activity	Reduction	Cumulative Reduction	Cumulative Percentage	Comments
1	Department Furlough Plan	1,539,745	\$1,539,745	1.64%	Furlough savings
2	Reduce operating costs throughout the department's administrative functions.	243,027	\$1,782,772	1.90%	Reduce cost for supplies, printing, telecommunication and other general operating cost
3	Reduce Travel Cost	\$48,469	\$1,831,241	1.95%	Eliminate all travel not required for service delivery or to meet grant or contractual requirements.
4	Equipment - eliminate budgeted replacement of vehicles and computers. Only emergency purchase will be authorized.	\$65,100	\$1,896,341	2.02%	Deferred replacement of old equipment will increase risk of equipment failure.
5	Postage	\$876,190	\$2,772,531	2.95%	Maximize federal participation, reduce volume by discontinuing some employee mailings.
6	Move rent to federal program in Public Health	\$314,530	\$3,087,061	3.28%	Reallocating a part of Public Health's Skyland Facility cost to programs out of Administration
7	Vacate one floor in 2 Peachtree	\$114,904	\$3,201,965	3.41%	Consolidation of work space – ½ year impact for FY09

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Budget Reduction Plan - Fiscal Year 2009

State Funds, Base Budget, FY 2009

\$94,033,146

Reduction Priority	Program / Subprogram / Activity	Reduction	Cumulative Reduction	Cumulative Percentage	Comments
8	Eliminate or reduce contracts and consulting for services	\$1,657,488	\$4,859,453	5.17%	Contracts and consulting service to support programs, employees and improve efficiencies in administration will be reduced or eliminated
9	Reduce administrative staff by 16 positions by eliminating vacant positions, attrition and restructuring. Where appropriate and when allowed by grant provisions transfer position and function to federally funded program.	\$817,111	\$5,676,564	6.04%	Will impact all aspects of administrative support for all programs. Divisions will need to take on additional responsibility with already stretched resources.
10	Continued reduction in staff levels to meet greater cuts. Additional 33 positions	\$1,864,161	\$7,540,725	8.02%	Increase challenges to support DHR programs. Cut from prior years have already left the administration function very lean.
11	Continued reduction in staff levels to meet greater cuts. Additional 21 positions	\$1,874,161	\$9,415,652	10.01%	Increase challenges to support DHR programs. Cut from prior years have already left the administration function very lean.

Department of Human Resources Departmental Administration

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Budget Reduction Plan - Fiscal Year 2010

State Funds, Base Budget, FY 2009

\$94,033,146

Reduction Priority	Program / Subprogram / Activity	Reduction	Cumulative Reduction	Cumulative Percentage	Comments
1	Reduce supplies and operating costs throughout the department's administrative functions.	\$243,027	\$243,027	0.26%	Will require more electronic distribution of materials and less printing.
2	Reduce travel cost	\$48,469	\$291,496	0.31%	Eliminate all travel not required for service delivery or to meet grant or contractual requirements.
3	Equipment - eliminate budgeted replacement of vehicles and computers. Only emergency purchase will be authorized.	\$65,100	\$356,596	0.38%	Deferred replacement of old equipment will increase risk of equipment failure.
4	Postage	\$876,190	\$1,232,786	1.31%	Maximize federal participation, reduce volume, discontinue some mailings.
5	Move rent to federal program in Public Health	\$314,530	\$1,547,316	1.65%	Reallocating a part of Skyland Facility cost to Emergency Medical Services (EMS).
6	Vacate one floor in 2 Peachtree	\$262,855	\$1,810,17	1.93%	FY10 anticipate a full year savings

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Budget Reduction Plan - Fiscal Year 2010

State Funds, Base Budget, FY 2009

\$94,033,146

Reduction Priority	Program / Subprogram / Activity	Reduction	Cumulative Reduction	Cumulative Percentage	Comments
7	Eliminate or reduce contracts for service	\$1,657,488	\$3,467,659	3.69%	Contracts and consulting service to support programs, employees and improve efficiencies in administration will be reduced or eliminated
8	Reduce administrative staff by 29 positions by eliminating vacant positions, attrition and restructuring. Where appropriate and when allowed by grant provisions transfer position and function to federally funded program.	\$2,179,231	\$5,646,843	6.01%	Will impact all aspects of administrative support for all programs. Divisions will need to take on additional responsibility with already stretched resources.
9	Continued reduction in staff levels to meet greater cuts. Additional 34 positions	\$1,916,443	\$7,563,336	8.04%	Increase challenges to support DHR programs. Cut from prior years have already left the administration function very lean.
10	Continued reduction in staff levels to meet greater cuts. Additional 26 positions	\$1,86,956	\$9,440,292	10.04%	Increase challenges to support DHR programs. Cut from prior years have already left the administration function very lean.