

Staff Notes on the DGS Rate Requests

Adequacy of Labor and Rent Plan Rates

The rates proposed by DGS appear to adequately cover the projected expenses associated with the services provided. DGS has calculated the labor rate and rent plan rates to recover their costs for providing these services. The labor rate calculation is based on their actual labor costs for the positions that are available to provide services, divided by the number of hours that the personnel are available annually to perform the work.

Appropriateness of Rates

For the labor rate request, the primary issue area appears to be the change proposed by DGS in its methodology for calculating these costs. The change in method proposed by DGS appears to be a “cleaner” approach than the department’s prior approach. However, the new approach does lead to one-time percentage cost increases in this fiscal year that are higher than would be otherwise expected.

For the rent plan rates, following DGS’ initial submission of these rates, JLARC staff requested additional information regarding the percentage increases for personnel that were embedded in the overall request (an increase of over eight percent). DGS has indicated that in addition to the mid-year salary increase for employees and increases in health insurance costs, a major factor in the size of the increase for the personnel component is that nine new positions are assumed in the costs to be recovered. These positions have been authorized for DGS, but last fiscal year DGS did not have the funds to fill the positions. An additional factor is overtime. The budget for overtime last fiscal year was about half of historical DGS spending levels. The budget for this fiscal year provides an amount that is more in line with past overtime spending.

However, DGS also indicates that only two of the new positions assumed in the rate request have been filled to this point in the year (an offer has been made, but was still pending at the end of October, for a third position). Since the nine positions are assumed in the costs to be recovered, it appears that the rent plan rates proposed by DGS may be somewhat overstated, to the extent that these positions have been, and continue to be, unfilled during this fiscal year.