

Office of the  
Legislative Fiscal Analyst

## **FY 2005 Budget Recommendations**

Joint Appropriations Subcommittee for  
Health and Human Services

Utah Department of Human Services  
**Internal Service Funds**

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**1.0 Summary: Department of Human Services Internal Service Funds**

The Department of Human Services operates two internal service funds (ISF) that provide shared services to the divisions and bureaus of the Department. These include General Services and Data Processing. General Services collects funds from department divisions for building maintenance and rent for the Department’s main office in Salt Lake City. Data Processing provides programming services for the Department.

**Financial Summary**

The following table summarizes the recommended operating levels for the two funds combined along with recommended staffing levels. The Analyst recommends an FY 2005 appropriation of \$4,029,500 from collection of dedicated credits / intergovernmental revenues. This is expected to generate a net operating income of \$11,000. Accumulated retained earnings for both funds combined are expected to reach \$84,440 by the end of FY2005. No capital acquisitions are planned or recommended for FY 2005. Total FTEs are set at 32.

	<b>Analyst FY 2005 Base</b>	<b>Analyst FY 2005 Changes</b>	<b>Analyst FY 2005 Total</b>
<b>Financing by Revenue Source</b>			
Dedicatd Credits - Intragvt Rev	\$4,029,500	\$0	\$4,029,500
<b>Total</b>	<b>\$4,029,500</b>	<b>\$0</b>	<b>\$4,029,500</b>
<b>Expenditures by Program</b>			
ISF - DHS General Services	\$1,437,100	\$0	\$1,437,100
ISF - DHS Data Processing	2,581,400		2,581,400
<b>Total</b>	<b>\$4,018,500</b>	<b>\$0</b>	<b>\$4,018,500</b>
<b>Profit/(Loss)</b>	<b>\$11,000</b>	<b>\$0</b>	<b>\$11,000</b>
<b>FTE/Other</b>			
Total FTE	32		32
Retained Earnings	\$84,440	\$0	\$84,440
Vehicles	1	0	1

### 3.0 Programs: Internal Service Funds

#### **Internal Service Funds: General Information**

Internal Service Funds operate similarly to private, non-profit service providers. Over time, income and expense should balance out and the accumulated “retained earnings” should be near zero. One of the basic purposes for internal service funds is to more efficiently allocate scarce resources. If users of these services have to pay for them, they will use those services more prudently. Also, it provides a mechanism to compare the cost and efficiencies of these services with competing private service providers, where available.

Utah Code, Section 63-38-3.5 places the following Legislative controls on the operation of Internal Service Funds:

1. All Internal Service Fund budgets must be approved by the Legislature.
2. The number of full time equivalent (FTE) positions must be approved for each Internal Service Fund.
3. The Legislature must approve all capital acquisitions made by an Internal Service Fund.
4. No capital assets can be transferred to an Internal Service Fund without Legislative approval.
5. Rate structures must be approved by the Legislature.
6. Working capital must be acquired in the following order: First from operating revenues, second from long-term debt, and last from appropriation.
7. Borrowing from the General Fund (long term debt) is allowed as long as:
  - a. The debt is repaid over the useful life of the asset,
  - b. Borrowing does not exceed 90 percent of the net value of its capital asset.

### 3.1 General Service Internal Service Fund

**Recommendation**

The Fiscal Analyst recommends an appropriation of \$1,440,000 from collection of dedicated credits / intergovernmental revenues for FY 2005. The Analyst’s recommendations include 2 authorized FTE employees. No capital acquisitions are planned for FY2005.

Ending retained earnings for FY 2003 was \$110,627 after an operating gain of \$40,618. The Department is projecting an operating loss of \$112,096 in FY 2004 and a small operating profit of \$2,900 in FY 2005. This would bring the accumulated retained earnings to \$1,431 for FY2005.

	2003	2004	2005	Est/Analyst
	Actual	Estimated*	Analyst	Difference
<b>Financing</b>				
Dedicated Credits - Intragvt Rev	\$1,441,387	\$1,343,500	\$1,440,000	\$96,500
<b>Total</b>	<u>\$1,441,387</u>	<u>\$1,343,500</u>	<u>\$1,440,000</u>	<u>\$96,500</u>
<b>Expenditures</b>				
Personal Services	\$31,943	\$49,600	\$49,600	\$0
Current Expense	1,363,224	1,386,500	1,375,000	(11,500)
DP Current Expense	4,404	17,700	12,500	(5,200)
Depreciation	1,198	1,796		(1,796)
<b>Total</b>	<u>\$1,400,769</u>	<u>\$1,455,596</u>	<u>\$1,437,100</u>	<u>(\$18,496)</u>
<b>Profit/(Loss)</b>	<u>\$40,618</u>	<u>(\$112,096)</u>	<u>\$2,900</u>	<u>\$114,996</u>
<b>FTE/Other</b>				
Total FTE	1.3	2.0	2.0	0.0
Retained Earnings	\$110,627	(\$1,469)	\$1,431	\$2,900
Vehicles	1	1	1	0

\*Non-state funds as estimated by agency

**Purpose**

The Division of Facilities, Construction and Management (DFCM) provides operation and maintenance services for the Human Services administration building in Salt Lake City and charges a per square foot rate. The General Services ISF collects funds from the Department’s divisions occupying that building according to their share of space occupied.

**General Services ISF Rates**

The charges per square foot of space in the main building in Salt Lake City will not change from FY 2004 to FY 2005

<b>General Services: Rate Proposal</b>			Difference
	FY 2004	FY 2005	FY 04-05
Admin Building Per Square Foot	\$13.44	\$13.44	n/c

### 3.2 Data Processing Internal Service Fund

**Recommendation**

The Analyst recommends an appropriation of \$2,589,500 from collection of dedicated credits / intergovernmental revenues for FY 2005. The recommendation includes an authorized staff level of 30 FTEs. No capital acquisitions are planned for FY 2005.

Ending retained earnings for FY 2003 was \$65,809 after an operating loss of \$2,190. The Department is projecting small operating profits of \$9,100 in FY 2004 and approximately \$8,100 in FY 2005. This would bring the accumulated retained earnings to \$83,009 at the end of FY 2005.

	2003 Actual	2004 Estimated*	2005 Analyst	Est/Analyst Difference
<b>Financing</b>				
Dedicated Credits - Intragvt Rev	\$2,365,402	\$2,589,500	\$2,589,500	\$0
<b>Total</b>	<u>\$2,365,402</u>	<u>\$2,589,500</u>	<u>\$2,589,500</u>	<u>\$0</u>
<b>Expenditures</b>				
Personal Services	\$2,173,768	\$2,333,200	\$2,333,200	\$0
In-State Travel	5,019	16,600	16,600	
Current Expense	66,135	102,200	102,200	
DP Current Expense	112,241	109,000	110,000	1,000
Other Charges/Pass Thru	10,429	19,400	19,400	
<b>Total</b>	<u>\$2,367,592</u>	<u>\$2,580,400</u>	<u>\$2,581,400</u>	<u>\$1,000</u>
<b>Profit/(Loss)</b>	<u>(\$2,190)</u>	<u>\$9,100</u>	<u>\$8,100</u>	<u>(\$1,000)</u>
<b>FTE/Other</b>				
Total FTE	29	30	30	0
Retained Earnings	\$65,809	\$74,909	\$83,009	\$8,100

\*Non-state funds as estimated by agency

**Purpose**

The Data Processing Internal Service Fund provides new applications development and programming services to various divisions and agencies in the department.

**Data Processing Programming Rates**

The Department requests no increase in the rate for programming services for FY 2005. The rates were last adjusted in FY 2002 when the rates changed from \$50 to \$52 per programmer hour.

<b>Data Processing: Rate Proposal</b>			<b>Difference</b>
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 04-05</b>
Programmers (per hour)	\$52.00	\$52.00	\$0.00

**4.0 Additional Information: Internal Service Funds**

**4.1 Funding History**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Financing by Revenue Source</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated*</b>	<b>Analyst</b>
Dedicated Credits - Intragvt Rev	\$3,579,209	\$3,804,665	\$3,806,789	\$3,933,000	\$4,029,500
<b>Total</b>	<b>\$3,579,209</b>	<b>\$3,804,665</b>	<b>\$3,806,789</b>	<b>\$3,933,000</b>	<b>\$4,029,500</b>
<b>Financing by Program</b>					
ISF - DHS General Services	\$1,460,209	\$1,469,995	\$1,441,387	\$1,343,500	\$1,440,000
ISF - DHS Data Processing	2,119,000	2,334,670	2,365,402	2,589,500	2,589,500
<b>Total</b>	<b>\$3,579,209</b>	<b>\$3,804,665</b>	<b>\$3,806,789</b>	<b>\$3,933,000</b>	<b>\$4,029,500</b>
<b>Expenditures</b>					
Personal Services	\$2,044,299	\$2,143,269	\$2,205,711	\$2,382,800	\$2,382,800
In-State Travel	16,393	6,086	5,019	16,600	16,600
Current Expense	1,755,665	1,479,021	1,429,359	1,488,700	1,477,200
DP Current Expense	120,821	96,711	116,645	126,700	122,500
Other Charges/Pass Thru	16,529	17,991	10,429	19,400	19,400
Depreciation	1,198	1,198	1,198	1,796	
<b>Total</b>	<b>\$3,954,905</b>	<b>\$3,744,276</b>	<b>\$3,768,361</b>	<b>\$4,035,996</b>	<b>\$4,018,500</b>
<b>Profit/(Loss)</b>	<b>(\$375,696)</b>	<b>\$60,389</b>	<b>\$38,428</b>	<b>(\$102,996)</b>	<b>\$11,000</b>
<b>FTE/Other</b>					
Total FTE	33	33	30	32	32
Retained Earnings	\$20,271	\$138,007	\$176,436	\$73,440	\$84,440
Vehicles			1	1	1

\*Non-state funds as estimated by agency.