

Budget Brief – Purchasing and General Services (ISF)

NUMBER CFAS-05-17

SUMMARY

In 1997 the Legislature reorganized the Department of Administrative Services, merging Central Copying, Central Mail, and Central Stores into the Division of Purchasing. The new division became the Division of Purchasing and General Services. The General Services functions of the division are budgeted as internal service funds. The procurement function that enables other agencies to contract for goods and services is budgeted separately in the appropriated fund section.

The programs in this line item include:

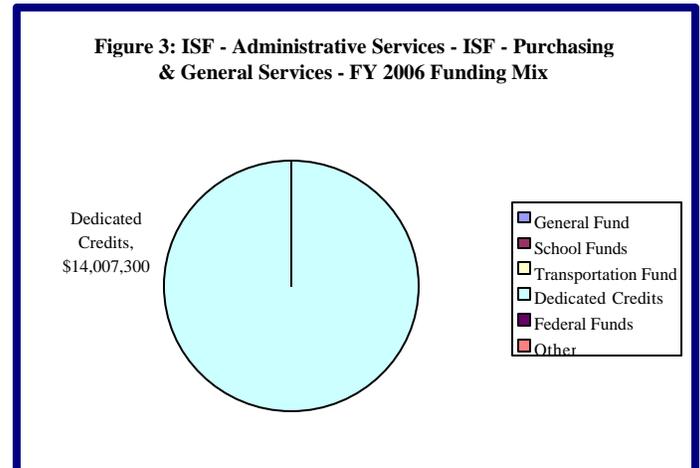
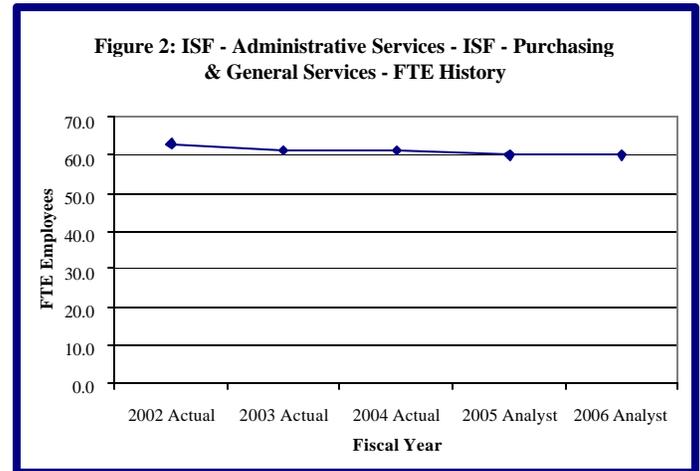
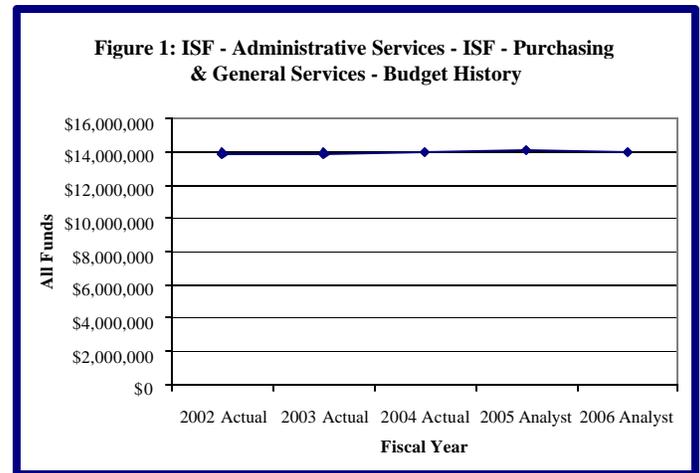
- Administration
- Central Mailing
- Electronic Purchasing
- Publishing

The Administration Program is set up to account for the indirect costs (overhead) in delivering the services of the other three central services programs. All expenditures are passed through to the other programs in proportion to their share of the total division budget.

ISSUES AND RECOMMENDATIONS

The Publishing Program has shown negative retained earnings for several years (see “Accountability Detail” on the following page). In an effort to reduce costs and improve retained earnings, the division consolidated operations and reduced the number of expensive copier/publishing systems. However, several factors have contributed to a slower than expected elimination of negative retained earnings. There is continued movement by agencies to digital copying on their own equipment. Prices are dropping and agencies are using copy centers less.

In the near future, the division plans to evaluate anticipated demand for its services and perhaps new ways of delivering services. Private service providers will likely be considered, along with other options.



ACCOUNTABILITY DETAIL

Overhead Costs as a Percentage of Total Expenses

	FY 2002	FY 2003	FY 2004	FY 2005 App
Total Expenditures*	\$11,709,700	\$11,978,500	\$12,082,300	\$12,269,300
Admin Overhead	\$307,200	\$281,700	\$292,100	\$283,700
Percentage Overhead	2.6%	2.4%	2.4%	2.3%

*Excluding Depreciation

Administrative overhead costs are low and appear to be trending downward.

Publishing Retained Earnings

Publishing Services Retained Earnings	
FY 2001	(\$1,604,500)
FY 2002	(\$1,108,600)
FY 2003	(\$1,067,400)
FY 2004	(\$1,160,900)
FY 2005 Est	(\$1,160,600)

In the past the Analyst’s Office has expressed support for the division working out of its deficit position slowly, allowing rates to stay lower for state agencies. It appears, however, to be happening more slowly than anticipated. It will be difficult for the division to eliminate its deficit position without increasing rates to a level that would further drive its customers away.

BUDGET DETAIL

Because the Administration program passes all of its expenditures through to the other three programs, its total budget is zero and it doesn’t appear in the Budget Detail Table below. Estimated FY 2006 costs are \$286,700.

Budget Recommendation for FY 2006:

- Estimated revenues of \$14,007,300
- Rates as presented in Issue Brief CFAS-05-08
- 60.0 FTE
- Authorized Capital Outlay of \$3,861,000. Funds will be used, if needed, for
 - Mailing/sorting equipment: \$505,000
 - Replacement of copiers expected to reach the end of their useful lives: \$2,188,000
 - Placement of new copiers requested from Attorney General, Courts, and Education: \$268,000
 - Replacement of existing Copy Center high speed copiers with new equipment: \$900,000 (a placeholder in case the state continues to provide publishing services)

LEGISLATIVE ACTION

This section is a summary of what actions might be taken if the Legislature wishes to adopt the recommendations of this brief. The Analyst recommends the Legislature consider adopting:

1. Estimated revenues of \$14,007,300
2. Rates as presented in Issue Brief CFAS-05-08
3. 60.0 FTE
4. Authorized Capital Outlay of \$3,861,000

BUDGET DETAIL TABLE

ISF - Administrative Services - ISF - Purchasing & General Services						
Sources of Finance	FY 2004 Actual	FY 2005 Appropriated	Changes	FY 2005 Revised	Changes	FY 2006 Analyst*
Dedicated Credits - Intragvt Rev	13,974,200	14,589,100	(464,500)	14,124,600	(117,300)	14,007,300
Sale of Fixed Assets	8,300	0	0	0	0	0
Total	\$13,982,500	\$14,589,100	(\$464,500)	\$14,124,600	(\$117,300)	\$14,007,300
Programs						
ISF - Central Mailing	8,904,000	8,814,900	89,100	8,904,000	(87,000)	8,817,000
ISF - Electronic Purchasing	325,400	352,300	(28,300)	324,000	0	324,000
ISF - Publishing	4,753,100	5,421,900	(525,300)	4,896,600	(30,300)	4,866,300
Total	\$13,982,500	\$14,589,100	(\$464,500)	\$14,124,600	(\$117,300)	\$14,007,300
Categories of Expenditure						
Personal Services	2,526,800	2,676,500	(93,400)	2,583,100	(31,800)	2,551,300
In-State Travel	8,400	9,100	(800)	8,300	0	8,300
Out of State Travel	1,200	1,700	(300)	1,400	0	1,400
Current Expense	9,798,800	9,760,700	(11,900)	9,748,800	(433,400)	9,315,400
DP Current Expense	39,200	105,000	(65,700)	39,300	0	39,300
Other Charges/Pass Thru	(292,100)	(283,700)	31,500	(252,200)	(34,500)	(286,700)
Depreciation	1,625,600	1,825,300	(14,900)	1,810,400	275,500	2,085,900
Total	\$13,707,900	\$14,094,600	(\$155,500)	\$13,939,100	(\$224,200)	\$13,714,900
Other Data						
Total FTE	61.2	63.5	(3.5)	60.0	0.0	60.0
Authorized Capital Outlay	2,377,900	2,816,000	0	2,816,000	1,045,000	3,861,000
Retained Earnings	1,002,000.0	1,755,400.0	(567,900.0)	1,187,500.0	292,400.0	1,479,900.0
Vehicles	16	16	0	16	0	16
*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.						