

# Budget Brief – DAS Internal Service Fund Summary

NUMBER CFGO-07-15

## SUMMARY

Internal Service Funds (ISF) employ business practices to provide a service or product for other state and governmental agencies. Typical services include motor pools, information technology, mail processing, facility management, or other large functions that can be centrally coordinated. They are set up to take advantage of economies of scale, to avoid duplication of efforts and to provide an accounting mechanism to adequately identify the costs of certain governmental services.

In order to control the size, mission and fees charged to state agencies, the Legislature imposed statutory controls (UCA 63-38-3.5) that require ISFs to respond to the legislative budget process. No ISF can bill another agency for its services unless the Legislature has:

- Approved the ISF’s budget request
- Approved the ISF’s rates, fees, and other charges, and included those rates and fees in an appropriations act
- Approved the number of FTE as part of the annual appropriation process
- Appropriated the ISF’s estimated revenue based upon the rates and fee structure

No capital acquisitions can be made by an ISF without legislative approval. No capital assets can be transferred to an ISF without legislative approval.

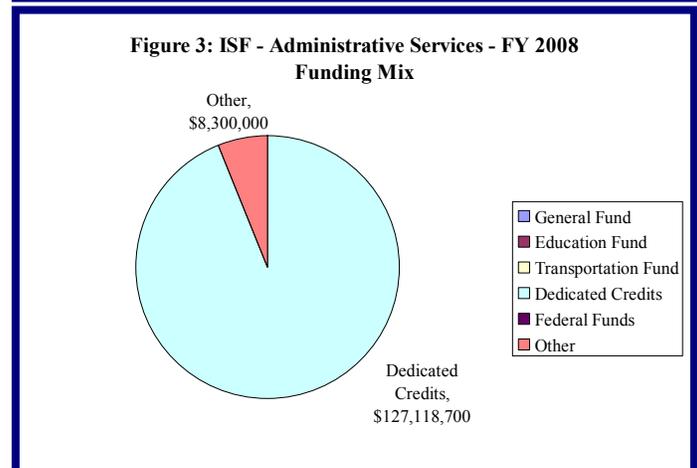
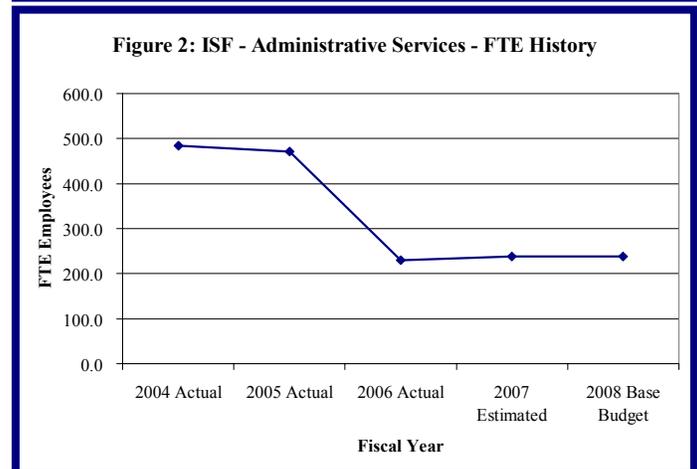
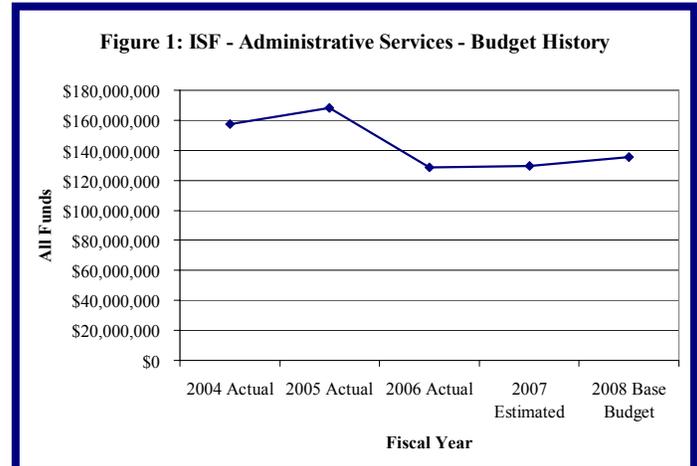
Working capital should come from the following sources in priority order: operating revenues; long-term debt; legislative appropriations.

General Fund borrowing (long-term debt) is authorized as long as the debt is repaid over the useful life of assets and borrowing does not exceed 90 percent of the ISF’s capital assets.

### DAS Internal Service Fund Line Items

DAS operates four ISFs that are funded by rates charged to state agencies, higher education, and local governments:

- Purchasing and General Services
- Fleet Operations
- Risk Management
- Facilities Maintenance



**ISSUES AND RECOMMENDATIONS*****Office of State Debt Collection***

The Office of State Debt Collection is no longer an internal service fund. Senate Bill 214, "Office of State Debt Collection Amendments," 2006 General Session, changed the program to a restricted special revenue fund. Restricted Special Revenue Funds require legislative review but do not require legislative appropriations. However, S.B. 214 passed after passage of the appropriations acts, so the Office of State Debt Collection received a legislative appropriation for FY 2007. The appropriation became unnecessary when S.B. 214 was enacted.

***Information Technology Services***

The 2005 Legislature removed the Division of Information Technology Services (ITS) from the Department of Administrative Services and created the new Department of Technology Services (H.B. 109). The Department of Technology Services remains under the CFAS Appropriations Subcommittee. The change became effective on July 1, 2006.

**ACCOUNTABILITY DETAIL*****General Fund Borrowing***

General Fund borrowing occurs when an agency needs cash to purchase assets to carry out its business. Examples include photocopiers and vehicles. These assets are depreciated and charged to customer agencies through the ISF's rates. Although the Legislature expresses a preference for capitalizing assets through operating funds, borrowing from the General Fund is allowed as long as the debt is repaid over the useful life of the asset and borrowing does not exceed 90 percent of the ISF's capital assets.

The table on the page 3 shows General Fund debt carried by the DAS ISFs along with their working capital positions. In most cases, trends show improving financial conditions with reduced General Fund borrowing and increased working capital. Only Risk Management shows an increase in General Fund borrowing, but it remains in solid financial shape.

## General Fund Borrowing by DAS Internal Service Funds

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<b>General Services: Printing</b>					
Short Term GF Borrowing	\$1,769,200	\$1,639,700	\$1,651,600	\$1,860,200	\$1,591,000
Long Term GF Borrowing	\$1,656,800	\$1,318,800	\$2,279,400	\$2,060,200	\$1,913,500
Total GF Borrowing	\$3,426,000	\$2,958,500	\$3,931,000	\$3,920,400	\$3,504,500
Working Capital*	(\$2,974,300)	(\$2,695,300)	(\$3,849,500)	(\$3,848,700)	(\$3,333,700)
90% Value of Fixed Assets	\$3,168,100	\$2,955,000	\$3,906,400	\$3,725,300	\$3,332,200
Amount (Over) Under Limit	\$193,800	\$259,700	\$56,900	(\$123,400)	(\$1,500)
<b>ITS (Absorbed by DTS)</b>					
Short Term GF Borrowing	\$3,945,200	\$6,861,300	\$4,291,000	\$0	\$0
Long Term GF Borrowing	\$0	\$0	\$0	\$0	\$0
Total GF Borrowing	\$3,945,200	\$6,861,300	\$4,291,000	\$0	\$0
Working Capital*	\$732,400	(\$3,089,500)	(\$154,000)	\$3,714,100	\$6,267,300
90% Value of Fixed Assets	\$15,122,300	\$14,278,100	\$10,979,200	\$9,040,100	\$10,062,100
Amount (Over) Under Limit	\$15,854,700	\$11,188,600	\$10,825,200	\$12,754,200	\$16,329,400
<b>Fleet Ops: Motor Pool</b>					
Short Term GF Borrowing	\$16,456,600	\$14,264,200	\$14,667,500	\$14,212,100	\$12,859,200
Long Term GF Borrowing	\$11,516,400	\$12,273,900	\$13,454,200	\$9,494,900	\$7,276,800
Total GF Borrowing	\$27,973,000	\$26,538,100	\$28,121,700	\$23,707,000	\$20,136,000
Working Capital*	(\$26,631,200)	(\$25,113,700)	(\$27,069,800)	(\$23,167,100)	(\$19,785,800)
90% Value of Fixed Assets	\$54,864,300	\$51,505,600	\$52,985,100	\$49,318,700	\$48,014,000
Amount (Over) Under Limit	\$28,233,100	\$26,391,900	\$25,915,300	\$26,151,600	\$28,228,200
<b>Fleet Ops: Fuel Network</b>					
Short Term GF Borrowing	\$281,900	\$188,000	\$359,800	\$591,300	\$132,800
Long Term GF Borrowing	\$2,933,900	\$2,864,200	\$4,220,100	\$2,083,300	\$2,315,300
Total GF Borrowing	\$3,215,800	\$3,052,200	\$4,579,900	\$2,674,600	\$2,448,100
Working Capital*	(\$699,700)	(\$564,300)	(\$293,500)	\$360,500	\$2,723,200
90% Value of Fixed Assets	\$957,500	\$837,300	\$742,300	\$656,100	\$613,400
Amount (Over) Under Limit	\$257,800	\$273,000	\$448,800	\$1,016,600	\$3,336,600
<b>Fleet Ops: Federal Surplus Property</b>					
Short Term GF Borrowing	\$0	\$10,400	\$16,100	\$135,900	\$0
Long Term GF Borrowing	\$171,100	\$113,700	\$106,200	\$0	\$0
Total GF Borrowing	\$171,100	\$124,100	\$122,300	\$135,900	\$0
Working Capital*	(\$74,000)	(\$94,100)	(\$123,700)	(\$90,200)	\$14,100
90% Value of Fixed Assets	\$374,300	\$358,800	\$302,200	\$325,400	\$0
Amount (Over) Under Limit	\$300,300	\$264,700	\$178,500	\$235,200	\$14,100
<b>Risk Management: Insurance</b>					
Short Term GF Borrowing	\$0	\$0	\$597,800	\$1,558,100	\$1,159,100
Long Term GF Borrowing	\$0	\$0	\$1,643,100	\$85,000	\$2,035,200
Total GF Borrowing	\$0	\$0	\$2,240,900	\$1,643,100	\$3,194,300
Working Capital*	\$37,715,500	\$38,473,000	\$39,123,500	\$40,450,600	\$41,133,900
90% Value of Fixed Assets	\$98,000	\$73,700	\$50,200	\$31,600	\$14,400
Amount (Over) Under Limit	\$37,813,500	\$38,546,700	\$39,173,700	\$40,482,200	\$41,148,300
<b>Total General Fund Borrowing</b>	<b>\$38,731,100</b>	<b>\$39,534,200</b>	<b>\$43,286,800</b>	<b>\$32,081,000</b>	<b>\$29,282,900</b>

\*Working Capital = Current Assets - Current Liabilities - Long Term GF Borrowing

The Analyst suggests that looking at trends in General Fund borrowing and Working Capital helps gauge the fiscal condition of an ISF. Total General Fund borrowing has dropped by 32 percent since FY 2004 after steadily increasing in the prior three years. Most of this drop is attributed to reduced borrowing by Fleet Operations, but is also partly attributable to reductions by ITS as it prepared to move to the new Department of Technology Services.

**Budget Detail**

The predominant source of funds, Dedicated Credits – Intragovernmental Revenue, comes from charges to customer agencies. Premiums are collected by Risk Management for its insurance programs. Restricted revenue comes from Workers Compensation collections made by the Division of Risk Management.

**BUDGET DETAIL TABLE**

ISF - Administrative Services						
Sources of Finance	FY 2006 Actual	FY 2007 Appropriated	Changes	FY 2007 Revised	Changes	FY 2008* Base Budget
Dedicated Credits Revenue	866,400	761,600	(761,600)	0	0	0
Premiums	25,448,100	25,261,100	1,240,900	26,502,000	1,039,000	27,541,000
Licenses/Fees	4,600	9,700	(9,700)	0	0	0
Interest Income	3,366,300	2,387,700	372,300	2,760,000	0	2,760,000
Dedicated Credits - Intragvt Rev	90,344,800	86,816,200	4,706,600	91,522,800	4,694,900	96,217,700
Sale of Fixed Assets	476,400	(40,000)	670,800	630,800	(30,800)	600,000
Restricted Revenue	8,031,400	7,540,000	560,000	8,100,000	200,000	8,300,000
Other Financing Sources	19,500	8,000	(8,000)	0	0	0
<b>Total</b>	<b>\$128,557,500</b>	<b>\$122,744,300</b>	<b>\$6,771,300</b>	<b>\$129,515,600</b>	<b>\$5,903,100</b>	<b>\$135,418,700</b>
<b>Line Items</b>						
ISF - Office of State Debt Collection	1,642,300	1,407,000	(1,407,000)	0	0	0
ISF - Purchasing & General Services	12,839,400	12,818,600	137,600	12,956,200	46,700	13,002,900
ISF - Fleet Operations	58,194,900	53,446,000	5,159,100	58,605,100	2,503,700	61,108,800
ISF - Risk Management	36,089,200	34,561,100	2,800,900	37,362,000	1,239,000	38,601,000
ISF - Facilities Management	19,791,700	20,511,600	80,700	20,592,300	2,113,700	22,706,000
<b>Total</b>	<b>\$128,557,500</b>	<b>\$122,744,300</b>	<b>\$6,771,300</b>	<b>\$129,515,600</b>	<b>\$5,903,100</b>	<b>\$135,418,700</b>
<b>Categories of Expenditure</b>						
Personal Services	12,936,100	13,942,500	2,000	13,944,500	260,500	14,205,000
In-State Travel	39,200	51,300	(11,200)	40,100	0	40,100
Out of State Travel	31,500	35,700	13,400	49,100	(4,300)	44,800
Current Expense	94,231,200	91,503,700	8,634,000	100,137,700	5,173,600	105,311,300
DP Current Expense	705,700	819,200	(6,200)	813,000	383,100	1,196,100
Other Charges/Pass Thru	450,500	674,900	212,600	887,500	(858,300)	29,200
Operating Transfers	2,591,000	1,550,000	2,150,000	3,700,000	(3,700,000)	0
Depreciation	13,335,100	15,147,700	(313,100)	14,834,600	621,800	15,456,400
<b>Total</b>	<b>\$124,320,300</b>	<b>\$123,725,000</b>	<b>\$10,681,500</b>	<b>\$134,406,500</b>	<b>\$1,876,400</b>	<b>\$136,282,900</b>
<b>Other Data</b>						
Budgeted FTE	252.0	244.0	(6.5)	237.5	1.0	238.5
Actual FTE	229.1	0.0	0.0	0.0	0.0	0.0
Authorized Capital Outlay	14,103,500	16,067,200	(781,800)	15,285,400	3,174,600	18,460,000
Retained Earnings	17,483,100	12,925,300	(1,274,700)	11,650,600	(864,200)	10,786,400
Vehicles	158	246	(85)	161	85	246

\*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.