

# DAS DIVISION OF PURCHASING

INFRASTRUCTURE AND GENERAL GOVERNMENT APPROPRIATIONS SUBCOMMITTEE

BUDGET BRIEF

## SUMMARY

In 1997 the Legislature reorganized the Department of Administrative Services, merging Central Copying, Central Mail, and Central Stores into the Division of Purchasing and General Services. The procurement function that enables other agencies to contract for goods and services is currently an appropriated function. Other programs operate as Internal Service Funds and are budgeted separately.

The division provides a centralized purchasing function for all state agencies. The Purchasing Program manages over 750 statewide contracts that are used by state agencies, education, and local governments, and oversees more than 2,000 agency contracts and more than 1,500 procurement processes per year. The value of these contracts and procurements exceeds a billion dollars annually.

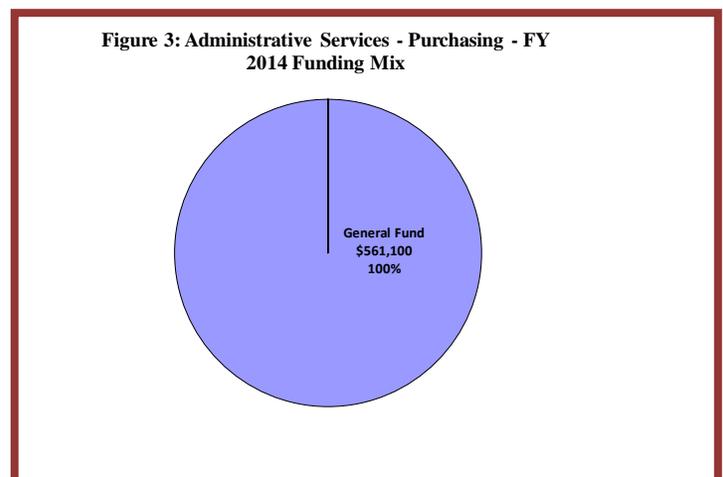
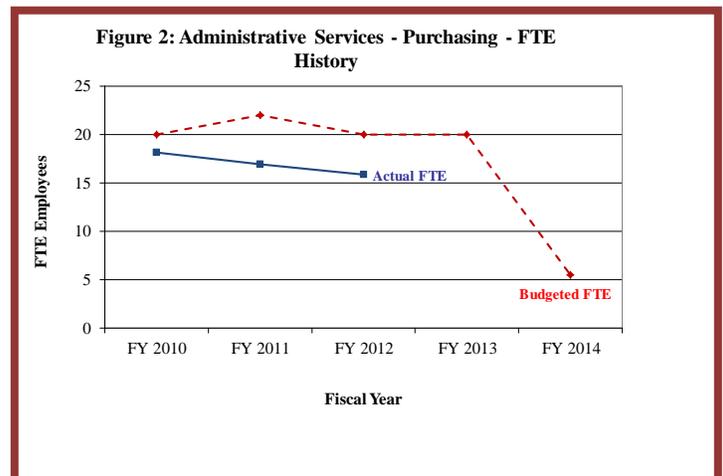
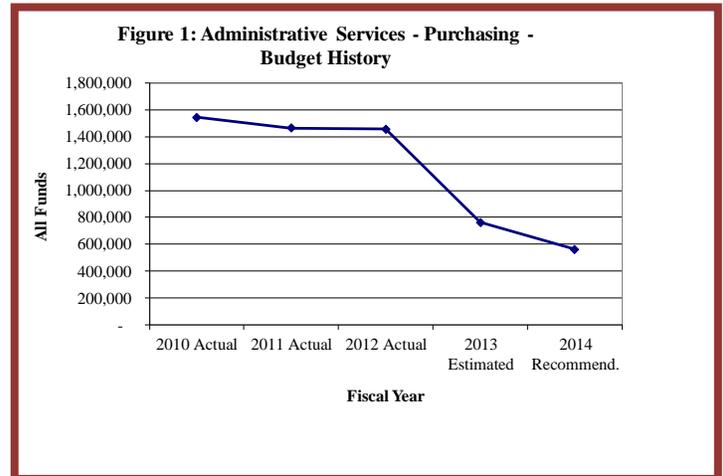
## ISSUES AND RECOMMENDATIONS

### *Transition to an Internal Service Fund*

During the budget reductions in recent years, DAS has explored options to reduce General Fund appropriation volatility by transitioning operations to internal service funds (ISFs). H.B. 402, *Department of Administrative Services Modifications* (2010 G.S.) allows the department to operate any of its divisions as an ISF agency. An ISF charges rates for services provided. During the 2011 General Session, the Division of Purchasing began moving its operations to the General Services ISF by charging an overhead fee on purchasing contracts negotiated by the division. The Division reduced \$300,000 of General Fund in FY 2012.

## ACCOUNTABILITY DETAIL

Purchasing manages cooperative contracts that are utilized by state agencies, institutions of higher education, school districts, and local governments. Usage of the contracts is mandatory for state agencies, but voluntary for political subdivisions. Thus political subdivision usage of the contracts is a barometer of whether the contracts provide



best value. The large number of non-state entities using state contracts allowed the Division to transition to an ISF without impacting state agencies. The new internal service fund will operate by charging non-state entities an overhead rate on contracts.

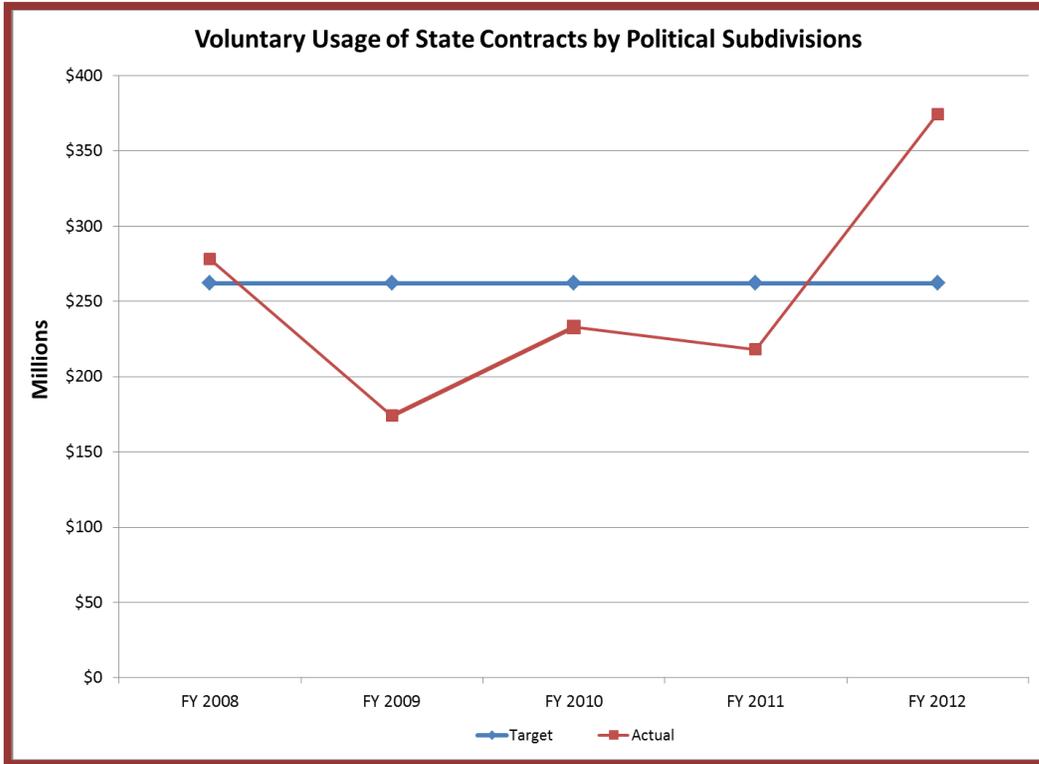


Figure 4

**BUDGET DETAIL**

Dedicated Credits in this program were generated by contract management cost reimbursements. The division participates in and manages several multi-state contracts for the Western States Contracting Alliance (WSCA) – a contracting alliance of fifteen western states. Utah has the lead on data communications, small package delivery, and other types of contracts. As the Division transitions to an internal service fund, the dedicated credits will be collected by the ISF to support operations and this line item will reduce General Fund expenditures proportionally as operations transition.

**Intra-department Transfer of Funds**

The department has found ongoing savings of \$200,000 in the Purchasing Program. The department requested these ongoing funds be transferred to other programs. The governor supported this request with the recommendation for this transfer as listed in the following table:

| DAS Purchasing Transfer - FY 2014          | Budgeted FTE | Ongoing General Fund |
|--|--------------|----------------------|
| From Purchasing                            | 0            | (\$200,000)          |
| To EDO: IT security                        | 0.0          | \$65,000             |
| To EDO: Internal Auditing                  | 0.0          | \$40,000             |
| To DAR: eRules maintenance and contingency | 0.0          | \$10,500             |
| To Archives: Records Ombudsman position    | 1.0          | \$84,500             |
| <b>Totals</b>                              | <b>1.0</b>   | <b>\$0</b>           |

The table shows that the transfer has no impact on the department’s budget.

**LEGISLATIVE ACTION**

The Analyst recommends the Legislature consider adopting:

1. A total base appropriation of \$561,100 for the Division.
2. Reallocating \$200,000 ongoing General Fund in FY 2014 as shown in the table above.
3. Intent language making the FY 2013 appropriation nonlapsing.

**BUDGET DETAIL TABLE**

| Administrative Services - Purchasing |                    |                      |                  |                  |                    |                      |
|--------------------------------------|--------------------|----------------------|------------------|------------------|--------------------|----------------------|
| Sources of Finance                   | FY 2012 Actual     | FY 2013 Appropriated | Changes          | FY 2013 Revised  | Changes            | FY 2014* Recommended |
| General Fund                         | 1,061,100          | 761,100              | 0                | 761,100          | (200,000)          | 561,100              |
| Dedicated Credits Revenue            | 396,300            | 0                    | 0                | 0                | 0                  | 0                    |
| Closing Nonlapsing                   | 0                  | (300,000)            | 300,000          | 0                | 0                  | 0                    |
| <b>Total</b>                         | <b>\$1,457,400</b> | <b>\$461,100</b>     | <b>\$300,000</b> | <b>\$761,100</b> | <b>(\$200,000)</b> | <b>\$561,100</b>     |
| <b>Programs</b>                      |                    |                      |                  |                  |                    |                      |
| Purchasing and General Services      | 1,457,400          | 461,100              | 300,000          | 761,100          | (200,000)          | 561,100              |
| <b>Total</b>                         | <b>\$1,457,400</b> | <b>\$461,100</b>     | <b>\$300,000</b> | <b>\$761,100</b> | <b>(\$200,000)</b> | <b>\$561,100</b>     |
| <b>Categories of Expenditure</b>     |                    |                      |                  |                  |                    |                      |
| Personnel Services                   | 1,328,600          | 298,100              | 346,600          | 644,700          | (171,700)          | 473,000              |
| In-state Travel                      | 1,300              | 3,900                | (2,600)          | 1,300            | 0                  | 1,300                |
| Out-of-state Travel                  | 400                | 1,600                | (1,600)          | 0                | 0                  | 0                    |
| Current Expense                      | 79,100             | 75,000               | (7,100)          | 67,900           | (1,800)            | 66,100               |
| DP Current Expense                   | 48,000             | 82,500               | (35,300)         | 47,200           | (26,500)           | 20,700               |
| <b>Total</b>                         | <b>\$1,457,400</b> | <b>\$461,100</b>     | <b>\$300,000</b> | <b>\$761,100</b> | <b>(\$200,000)</b> | <b>\$561,100</b>     |
| <b>Other Data</b>                    |                    |                      |                  |                  |                    |                      |
| Budgeted FTE                         | 20                 | 6                    | 15               | 20               | (15)               | 6                    |
| Actual FTE                           | 16                 | 0                    | 0                | 0                | 0                  | 0                    |

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