

Office of the
Legislative Fiscal Analyst

FY 2001 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 and warehouse in Salt Lake City. Data Processing provides programming services for the Department. The Field Services ISF which operated various Department buildings in the State, discontinued operations in FY 1999.

Financial Summary

The following table summarizes the recommended operating levels for the two funds combined, along with recommended staffing level and capital expenditures for FY 2001. The Analyst recommends an FY 2001 appropriation of \$3.9 million from collection of dedicated credits / intergovernmental revenues. This is expected to generate a net operating income of \$91,600. Accumulated retained earnings is expected to be about \$384,700.

	Analyst FY 2001 Base	Analyst FY 2001 Changes	Analyst FY 2001 Total
Financing			
Dedicated Credits	\$3,883,900		\$3,883,900
Total	<u>\$3,883,900</u>	<u>\$0</u>	<u>\$3,883,900</u>
Programs			
ISF - DHS General Services	\$1,468,600		\$1,468,600
ISF - DHS Data Processing	2,323,700		2,323,700
Total	<u>\$3,792,300</u>	<u>\$0</u>	<u>\$3,792,300</u>
Net Operating Income	<u>\$91,600</u>	<u>\$0</u>	<u>\$91,600</u>
FTE	36.0		36.0
Authorized Capital Outlay	\$0		\$0
Retained Earnings	\$384,700		\$384,700

3.0 Programs: Internal Service Funds

Internal Service Fund 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. No capital acquisitions can be made by an Internal Service Fund without Legislative approval.
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 60 percent of the value of the asset.

3.1 General Services

The General Services ISF collects funds from the Department’s divisions for building maintenance and rent for the main office and warehouse in Salt Lake City. In FY 2000, the photocopy and supply services have been discontinued.

Recommendation

The Fiscal Analyst recommends an appropriation of \$1.5 million from collections of dedicated credits / intergovernmental revenues for FY 2001. An operating profit of \$12,900 is expected for FY 2001, compared to a net expected loss of \$28,238 in FY 1999 and expected operating income of \$28,700 in FY 2000. The Analyst’s recommendations include three authorized FTE employees. No capital acquisitions are planned for FY2001.

	FY 1999	FY 2000	FY 2001	Est/Analyst
	Actual	Estimated	Analyst	Difference
Financing				
Dedicated Credits	\$1,468,988	\$1,472,000	\$1,481,500	\$9,500
Total	\$1,468,988	\$1,472,000	\$1,481,500	\$9,500
Expenditures				
Personal Services	\$76,235	\$112,800	\$95,200	(\$17,600)
In-State Travel	63			
Current Expenses	1,403,779	1,319,400	\$1,363,700	\$44,300
DP Current Expenses	9,177	6,900	\$1,700	(\$5,200)
Other Charges/Pass Thru	7,972	4,200	\$8,000	\$3,800
Total	\$1,497,226	\$1,443,300	\$1,468,600	\$25,300
Net Operating Income	(\$28,238)	\$28,700	\$12,900	(\$15,800)
FTE	5.0	4.0	3.0	(1.0)
Authorized Capital Outlay	\$0	\$0	\$0	\$0
Retained Earnings	\$199,273	\$228,000	\$240,900	\$12,900

General Services Rates

The charges per square foot of space in both the main building in Salt Lake City and the warehouse will not change from FY 2000 to FY 2001.

General Services: Rate Proposal			
	FY 2000	FY 2001	Difference
			FY 00-01
Admin Building Per Square Foot	\$13.44	\$13.44	n/c
Warehouse Per Square Foot	4.75	4.75	n/c

3.2 Data Processing

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

Recommendation

The Analyst recommends an appropriation of \$2.4 million from collection of dedicated credits / intergovernmental revenues. The recommendation includes a total staff of 33.0 FTEs. No capital acquisitions are planned for FY 2001.

	FY 1999	FY 2000	FY 2001	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Dedicated Credits	\$2,442,151	\$2,093,900	\$2,402,400	\$308,500
Total	\$2,442,151	\$2,093,900	\$2,402,400	\$308,500
Expenditures				
Personal Services	\$1,997,851	\$1,819,900	\$2,109,400	\$289,500
In-State Travel	8,970	7,600	9,200	1,600
Current Expenses	53,854	48,700	55,500	6,800
DP Current Expenses	124,675	88,800	126,800	38,000
Other Charges/Pass Thru	15,150	13,000	22,800	9,800
Depreciation	10,705			
Total	\$2,211,205	\$1,978,000	\$2,323,700	\$345,700
Net Operating Income	\$230,946	\$115,900	\$78,700	(\$37,200)
FTE	28.0	33.0	33.0	
Retained Earnings	(\$50,851)	\$65,100	\$143,800	\$78,700
Authorized Capital Outlay	\$0	\$0	\$0	

Date Processing Rates

Rates for programming services will remain at \$50 per hour for FY 2001.

Data Processing: Rate Proposal			
	FY 2000	FY 2001	Difference
			FY 00-01
Programmers (per hour)	\$50.00	\$50.00	n/c

2.0 Additional Information: Internal Service Funds

4.1 Funding History

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
	Actual	Actual	Actual	Estimated	Analyst
Financing					
Dedicated Credits	\$4,020,527	\$3,547,075	\$3,911,139	\$3,565,900	\$3,883,900
Total	\$4,020,527	\$3,547,075	\$3,911,139	\$3,565,900	\$3,883,900
% Change		-11.8%	10.3%	-8.8%	8.9%
Programs					
ISF - DHS General Services	\$1,426,558	\$1,304,102	\$1,497,226	\$1,443,300	\$1,468,600
ISF - DHS Field Services	373,379	510,158	25,888		
ISF - DHS Data Processing	2,168,989	1,749,340	2,211,205	1,978,000	\$2,323,700
Total	\$3,968,926	\$3,563,600	\$3,734,319	\$3,421,300	\$3,792,300
Expenditures					
Personal Services	\$1,968,861	\$1,575,696	\$2,074,086	\$1,932,700	\$2,204,600
In-State Travel	5,344	9,802	9,033	7,600	9,200
Current Expenses	1,854,723	1,772,958	1,482,572	1,368,100	1,419,200
DP Current Expenses	81,304	141,886	133,852	95,700	128,500
Other Charges/Pass Thru	46,662	37,400	24,071	17,200	30,800
Depreciation	12,032	25,858	10,705		
Total	\$3,968,926	\$3,563,600	\$3,734,319	\$3,421,300	\$3,792,300
Net Operating Income	\$51,601	(\$16,525)	\$176,820	\$144,600	\$91,600
FTE	54.0	33.0	33.0	37.0	36.0
Authorized Capital Outlay		\$8,425			
Retained Earnings	(\$10,691)	(\$27,216)	\$149,604	\$293,073	\$384,700