

Office of the
Legislative Fiscal Analyst

FY 2003 Budget Recommendations

Joint Appropriations Subcommittee for
Capital Facilities and Administrative Services

Utah Department of Administrative Services
Internal Service Funds – Purchasing and General Services

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1.0 Summary: Division of Purchasing and General Services

During the 1997 General Session, Senate Bill 249 reorganized the Department of Administrative Services. The Division of Purchasing was changed to the Division of Purchasing and General Services. Utah Code (63A-2-103) directs the Division of Purchasing and General Services to maintain a central mailing service and a central store. As allowed by the law, the director has also established a central publishing service and a separate administration program.

	Analyst FY 2003 Base	Analyst FY 2003 Changes	Analyst FY 2003 Total
Financing			
Dedicated Credits - Intragvt Rev	13,850,400		13,850,400
Total	<u>\$13,850,400</u>	\$0	<u>\$13,850,400</u>
Programs			
ISF - Central Mailing	7,692,100		7,692,100
ISF - Electronic Purchasing	300,000		300,000
ISF - Publishing	5,858,300		5,858,300
Total	<u>\$13,850,400</u>	\$0	<u>\$13,850,400</u>
FTE/Other			
Total FTE	63		63
Authorized Capital Outlay	3,714,000		3,714,000
Retained Earnings	346,300		346,300

2.0 Issues

2.1 Mailing Automation Equipment

Central Mailing purchased automation equipment in Fiscal Year 1999 that promised to reduce personnel costs. So far, personnel costs have actually risen within the Central Mail program. Further information on this topic can be found in Section 3.2.

3.0 Programs: Internal Service Funds – Purchasing

3.1 Administration

Recommendation

The Analyst is recommending the agency request.

	2001	2002	2003	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Total	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Expenditures				
Personal Services	235,700	248,800	249,700	900
Out of State Travel	300	300	300	
Current Expense	34,100	35,600	35,300	(300)
DP Current Expense	50,300	38,200	38,200	
DP Capital Outlay	100			
Other Charges/Pass Thru	(317,600)	(322,900)	(323,500)	(600)
Total	<u>\$2,900</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
FTE/Other				
Total FTE	3	3	3	
Retained Earnings	7,200	7,200	7,200	

Purpose

The administration program is set up to account for indirect costs in delivering the services of the other three central services programs. The functions of divisional management, budgeting, accounting, and clerical support are budgeted within this program. The programs are billed in the same proportion that their budgets bear to the total division budget. Administrative costs represent approximately 2.1 percent of total estimated revenues for FY 2001.

*Authorized Capital
Outlay*

The Administration program is not requesting an authorization for capital outlay this year.

3.2 Central Mailing

Recommendation

The Analyst is recommending the agency request.

	2001	2002	2003	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Dedicated Credits - Intragvt Rev	7,820,100	8,000,100	7,692,100	(308,000)
Total	\$7,820,100	\$8,000,100	\$7,692,100	(\$308,000)
Expenditures				
Personal Services	1,235,700	1,245,300	1,249,300	4,000
In-State Travel	6,900	6,900	6,900	
Out of State Travel	2,300	2,300	2,300	
Current Expense	6,043,400	6,122,600	6,122,600	
DP Current Expense	900			
Depreciation	113,100	153,400	145,200	(8,200)
Total	\$7,402,300	\$7,530,500	\$7,526,300	(\$4,200)
Profit/Loss	\$417,800	\$469,600	\$165,800	
FTE/Other				
Total FTE	38	38	38	
Authorized Capital Outlay	182,700	140,000	160,000	20,000
Retained Earnings	676,200	1,145,800	1,311,600	165,800

Purpose

State Mail provides mail services for agencies throughout the State. These services include inserting, folding, metering, tabbing, bar coding, and other postal services. The Tax Commission and Department of Human Services mail operations were consolidated with State Mail in FY 1995, creating one of the most centralized state mail operations in the nation. The automation of mail functions in a centralized facility reduces the time that agencies spend on these functions and increases overall efficiency.

State Mail Services is established to provide services in a way that minimizes costs to state agencies. Bar coding and presorting of mail allows agencies to receive maximum postal discounts. Reduced rates reflect postal discounts obtained through mail automation and consolidation. Mail Services also provides agencies with an effective way to process their outgoing mail stream. Collation, bursting, sorting, and inserting are all automated functions that were often performed by hand or outsourced at a much higher rate.

Automated Mailing Equipment

Central Mail purchased new equipment in FY 1999 that promised to provide significant labor savings. So far, those savings have not appeared. The equipment is used for automated sorting, but it needs mail that is properly formatted to make it functional. Central Mail must rely on agencies to properly format addresses and add bar codes so that equipment use can be maximized. Agencies have been reluctant to devote programming specialists to this problem because it would take time away from Y2K preparations. Now that Y2K problems are corrected, Central Mail can begin to work with agencies to ensure that automation is used in the most effective way possible.

Authorized Capital Outlay

The Analyst recommends authorization of \$160,000 in capital outlay for FY 2003 to purchase an inline inserter/folder. Current equipment is aging and prone to breakdown.

3.3 Copy and Publishing Services

Recommendation The Analyst is recommending the agency request.

	2001	2002	2003	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Dedicated Credits - Intragvt Rev	4,954,900	5,370,800	5,858,300	487,500
Total	\$4,954,900	\$5,370,800	\$5,858,300	\$487,500
Expenditures				
Personal Services	782,800	788,400	790,900	2,500
In-State Travel	2,500	2,500	2,500	
Out of State Travel		3,300	3,300	
Current Expense	2,890,900	3,846,600	2,920,600	(926,000)
DP Current Expense	2,200	2,200	2,200	
Depreciation	1,251,500	1,671,400	1,973,800	302,400
Total	\$4,929,900	\$6,314,400	\$5,693,300	(\$621,100)
Profit/Loss	\$25,000	(\$943,600)	\$165,000	
FTE/Other				
Total FTE	17	17	17	
Authorized Capital Outlay	1,449,800	3,139,000	3,554,000	415,000
Retained Earnings	(1,064,500)	(1,008,100)	(843,100)	165,000

Purpose Copy & Publishing Services operates a self-service copier program, several service centers, and the UDOT print shop. The program seeks to offer high quality publishing services at below market prices.

Last year the Analyst recommended the following intent language after raising concerns about the number of high volume copiers:

It is the intent of the Legislature that the Division of Purchasing and General Services consolidate Publishing operations to maximize efficiency and enhance savings opportunities with high volume copier services.

Under the direction of the Executive Director’s Office, Publishing services closed four print centers, negotiated the return of a high end copier to the vendor and replaced an aging copier within Legislative Printing. The Analyst is still concerned that there are too many high-end copiers in use, but lease agreements tie the Division’s hands at least through next year.

Authorized Capital Outlay

The Analyst capital outlay recommendation for FY 2003 totals \$3,554,000 for new copiers and those identified for replacement.

Copier Purchases	
Replacements	\$ 2,848,000
New Equipment	\$ 706,000
Recommended Outlay	\$ 3,554,000

3.4 Central Stores/Electronic Purchasing

The Analyst is recommending the agency request.

	2001	2002	2003	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Dedicated Credits - Intragvt Rev	290,200	300,000	300,000	
Total	\$290,200	\$300,000	\$300,000	\$0
Expenditures				
Personal Services	102,400	223,800	224,500	700
In-State Travel	600	600	600	
Out of State Travel	100	600	600	
Current Expense	73,800	73,800	73,800	
Total	\$176,900	\$298,800	\$299,500	\$700
Profit/Loss	\$113,300	\$1,200	\$500	
FTE/Other				
Total FTE	2	5	5	
Retained Earnings	(131,100)	(129,900)	(129,400)	500

Prior to October 1997, Central Stores was the State's outlet for office and specialty supplies. Supplies were furnished at an average markup of 22 percent rather than the 30-40 percent charged by wholesale/retail operations. Beginning October 1, 1997, Central Stores became a stockless, vendor direct operation. Instead of warehousing supplies purchased in bulk, the program uses a private sector vendor to make direct deliveries and invoicing to state agencies and institutions.

Central Stores also operates a state procurement card program to cut red tape associated with acquisition of small items. This program has been very successful. The program also consolidated state personal computer purchases for all state agencies.

4.0 Additional Information: General Services

	1999	2000	2001	2002	2003
Financing	Actual	Actual	Actual	Estimated	Analyst
Dedicated Credits - Intragvt Rev	11,543,900	12,264,700	13,065,200	13,670,900	13,850,400
Total	\$11,543,900	\$12,264,700	\$13,065,200	\$13,670,900	\$13,850,400
Programs					
ISF - General Services Administration	259,000				
ISF - Central Mailing	6,401,200	7,311,500	7,820,100	8,000,100	7,692,100
ISF - Electronic Purchasing	178,500	268,900	290,200	300,000	300,000
ISF - Publishing	4,705,200	4,684,300	4,954,900	5,370,800	5,858,300
Total	\$11,543,900	\$12,264,700	\$13,065,200	\$13,670,900	\$13,850,400
Expenditures					
Personal Services	2,106,400	2,282,100	2,356,600	2,506,300	2,514,400
In-State Travel	4,900	4,900	10,000	10,000	10,000
Out of State Travel	3,800	4,700	2,700	6,500	6,500
Current Expense	8,783,200	8,731,300	9,042,200	10,078,600	9,152,300
DP Current Expense	59,900	47,200	53,400	40,400	40,400
DP Capital Outlay		6,400	100		
Capital Outlay		1,224,600			
Other Charges/Pass Thru	10,100	(299,200)	(317,600)	(322,900)	(323,500)
Depreciation	1,063,300		1,364,600	1,824,800	2,119,000
Total	\$12,031,600	\$12,002,000	\$12,512,000	\$14,143,700	\$13,519,100
Profit/Loss	(\$487,700)	\$262,700	\$553,200	(\$472,800)	\$331,300
FTE/Other					
Total FTE	60	60	60	63	63
Authorized Capital Outlay	1,884,500	1,884,560	1,632,500	3,279,000	3,714,000
Retained Earnings	(1,141,800)	(1,065,300)	(512,200)	15,000	346,300