

Office of the
Legislative Fiscal Analyst

FY 2003 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 in Salt Lake City. Data Processing provides programming services for the Department.

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 2003. The Analyst recommends an FY 2003 appropriation of \$3,951,800 from collection of dedicated credits / intergovernmental revenues. This is expected to generate a net operating income of \$7,300. Accumulated retained earnings for both funds combined are expected reach \$152,500 by the end of FY2003.

	Analyst FY 2003 Base	Analyst FY 2003 Changes	Analyst FY 2003 Total
Financing			
Dedicated Credits - Intragvt Rev	\$4,177,900	(\$226,100)	\$3,951,800
Total	<u>\$4,177,900</u>	<u>(\$226,100)</u>	<u>\$3,951,800</u>
Programs			
ISF - DHS General Services	\$1,500,900	(\$39,800)	\$1,461,100
ISF - DHS Data Processing	2,677,000	(186,300)	2,490,700
Total	<u>\$4,177,900</u>	<u>(\$226,100)</u>	<u>\$3,951,800</u>
FTE/Other			

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. The Legislature must approve all capital acquisitions made by an Internal Service Fund.
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 90 percent of the net value of its capital asset.

3.1 General Service Internal Service Fund

Recommendation The Fiscal Analyst recommends an appropriation of \$1,461,100 from collection of dedicated credits / intergovernmental revenues for FY 2003. The Analyst’s recommendations include two authorized FTE employees. No capital acquisitions are planned for FY2003.

Ending retained earnings for FY 2001 was \$57,348 after an operating loss of \$286,650. The Department is projecting operating profits of \$49,385 in FY 2002 and approximately \$1,100 in FY 2003. This would bring the accumulated retained earnings to \$107,900 for FY 2003.

	2001	2002	2003	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Dedicated Credits - Intragvt Rev	\$1,460,209	\$1,500,900	\$1,461,100	(\$39,800)
Total	\$1,460,209	\$1,500,900	\$1,461,100	(\$39,800)
Expenditures				
Personal Services	\$25,482	\$75,600	\$27,000	(\$48,600)
In-State Travel	40			
Current Expense	1,674,712	1,366,200	1,388,900	22,700
DP Current Expense	45,427	1,700	37,900	36,200
Other Charges/Pass Thru		8,000	5,000	(3,000)
Depreciation	1,198		1,200	1,200
Total	\$1,746,859	\$1,451,500	\$1,460,000	\$8,500
FTE/Other				

Purpose The Division of Facilities, Construction and Management (DFCM) provides operation and maintenance services for the Human Services administration building in Salt Lake City and charges a per square foot rate. The General Services ISF collects funds from the Department’s divisions occupying that building according to their share of space occupied.

In FY 2000, the ISF received a “refund” from DFCM of \$130,000 due to accumulated excess charges. Also, in FY 2000, the Department divested itself of the Stores and Copier services resulting in a one-time “profit” of \$178,900. This increased the FY 2000 ending retained earnings amount to \$343,459. The Department has used the “refund” and other accumulated retained earnings for a wiring remodel at the department’s main office building in Salt Lake and for other needed improvements and maintenance of the facility.

General Services ISF Rates

The charges per square foot of space in the main building in Salt Lake City will not change from FY 2002 to FY 2003.

General Services: Rate Proposal			
	FY 2002	FY 2003	Difference FY 02-03
Admin Building Per Square Foot	\$13.44	\$13.44	n/c
<i>(Note: The Warehouse rates were discontinued in FY 2001)</i>			

3.2 Data Process Internal Service Funds

Recommendation

The Analyst recommends an appropriation of \$2,490,700 from collection of dedicated credits / intergovernmental revenues for FY 2003. The recommendation includes an authorized staff level of 31 FTEs. No capital acquisitions are planned for FY 2003.

Ending retained earnings for FY 2001 was \$20,271 after an operating loss of \$89,046. The Department is projecting small operating profits of \$18,099 in FY 2002 and approximately \$6,200 in FY 2003. This would bring the accumulated retained earnings to \$44,600 for FY 2003.

	2001	2002	2003	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Dedicated Credits - Intragvt Rev	\$2,119,000	\$2,677,000	\$2,490,700	(\$186,300)
Total	\$2,119,000	\$2,677,000	\$2,490,700	(\$186,300)
Expenditures				
Personal Services	\$2,018,817	\$2,444,500	\$2,281,500	(\$163,000)
In-State Travel	16,353	9,200	15,600	6,400
Current Expense	80,953	54,400	91,900	37,500
DP Current Expense	75,394	128,000	81,400	(46,600)
Other Charges/Pass Thru	16,529	22,800	14,100	(8,700)
Total	\$2,208,046	\$2,658,900	\$2,484,500	(\$174,400)
FTE/Other				

Purpose

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

Data Processing Programming Rates

The Department requests no increase in the rate for programming services for FY 2003. The rates were last adjusted in FY 2002 when the rates changed from \$50 to \$52 per programmer hour.

Data Processing: Rate Proposal			
	FY 2002	FY 2003	Difference FY 02-03
Programmers (per hour)	\$52.00	\$52.00	\$0.00

4.0 Additional Information: Internal Service Funds

4.1 Funding History

	1999	2000	2001	2002	2003
Financing	Actual	Actual	Actual	Estimated	Analyst
Dedicated Credits - Intragvt Rev	\$3,911,139	\$4,009,928	\$3,579,209	\$4,177,900	\$3,951,800
Sale of Fixed Assets		(1,382)			
Total	\$3,911,139	\$4,008,546	\$3,579,209	\$4,177,900	\$3,951,800
Programs					
ISF - DHS General Services	\$1,468,988	\$1,491,545	\$1,460,209	\$1,500,900	\$1,461,100
ISF - DHS Data Processing	2,442,151	2,517,001	2,119,000	2,677,000	2,490,700
Total	\$3,911,139	\$4,008,546	\$3,579,209	\$4,177,900	\$3,951,800
Expenditures					
Personal Services	\$2,074,086	\$2,198,006	\$2,044,299	\$2,520,100	\$2,308,500
In-State Travel	9,033	12,556	16,393	9,200	15,600
Current Expense	1,482,572	1,367,954	1,755,665	1,420,600	1,480,800
DP Current Expense	133,852	108,488	120,821	129,700	119,300
Other Charges/Pass Thru	24,071	17,186	16,529	30,800	19,100
Depreciation	10,705		1,198		1,200
Total	\$3,734,319	\$3,704,190	\$3,954,905	\$4,110,400	\$3,944,500
FTE/Other					
Total FTE	33	35	33	36	33
Authorized Capital Outlay					
Retained Earnings	149,604	452,776	20,271	145,100	152,500