

Office of the  
Legislative Fiscal Analyst

## **FY 2004 Budget Recommendations**

Joint Appropriations Subcommittee for  
Capital Facilities and Administrative Services

Utah Department of Administrative Services  
**Automated Geographic Reference Center**

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**1.0 Summary: Automated Geographic Reference Center (AGRC)**

The Automated Geographic Reference Center (AGRC) maintains and operates Utah’s State Geographic Information Database (SGID). It works with other agencies of state government to collect and retain geospatial data. It assists agencies in culling information from that data using computer applications. It supports the state’s Map Portal. Examples of its work include collection of high-resolution geographically correct images, mapping of rural “RS-2477” roads, and determination of legislative district boundaries.

The Analyst recommends \$1,012,100 for the AGRC in FY 2004, of which \$660,600 is from state funds.

	<b>Analyst FY 2004 Base</b>	<b>Analyst FY 2004 Changes</b>	<b>Analyst FY 2004 Total</b>
<b>Financing</b>			
General Fund	360,600		360,600
General Fund, One-time		300,000	300,000
Dedicated Credits Revenue		351,500	351,500
<b>Total</b>	<u>\$360,600</u>	<u>\$651,500</u>	<u>\$1,012,100</u>
<b>Programs</b>			
Automated Geographic Reference Ctr	360,600	651,500	1,012,100
<b>Total</b>	<u>\$360,600</u>	<u>\$651,500</u>	<u>\$1,012,100</u>
<b>FTE/Other</b>			
Total FTE		9	9

Historical data on AGRC financing, expenditures, and FTE can be found in the Budget Analysis for the Division of Information Technology Services.

## **2.0 Issues: Automated Geographic Reference Center (AGRC)**

### **2.1 Impact of 2002 Sixth Special Session**

As part of its December, 2002 Special Session, the Legislature reduced ongoing state budgets to fill a revenue shortfall of \$117.3 million. For the Automated Geographic Reference Center, the base reduction is \$16,000.

**General Fund.....(\$16,000)**

### **2.2 AGRC Operating Revenue**

Since 1993, the Automated Geographic Reference Center (AGRC) has operated as a pseudo internal service fund, with General Fund appropriations augmenting Federal grants, dedicated credits revenue, and revenue from other Internal Service Funds. The Analyst recommends an additional one-time FY 2004 General Fund appropriation to AGRC to cover AGRC's ongoing costs.

**General Fund, One-time.....\$300,000**

### 3.0 Programs: Automated Geographic Reference Center (AGRC)

**Recommendation**

The Analyst recommends \$1,012,100 for the Automated Geographic Reference Center as detailed in the table below. This reflects a base reduction of \$16,000 offset by an increase of \$300,000 in one-time General Fund revenue as well as an additional \$351,500 in dedicated credits revenue previously shown in the Division of Information Technology Services.

Historical data on AGRC’s financing, expenditures, and FTE can be found in the Budget Analysis for the Division of Information Technology Services.

	2002	2003	2004	Est/Analyst
	Actual	Estimated	Analyst	Difference
<b>Financing</b>				
General Fund	456,700	360,600	360,600	
General Fund, One-time			300,000	300,000
Dedicated Credits Revenue			351,500	351,500
<b>Total</b>	<b>\$456,700</b>	<b>\$360,600</b>	<b>\$1,012,100</b>	<b>\$651,500</b>
<b>Expenditures</b>				
Personal Services			820,400	820,400
Current Expense			39,600	39,600
DP Current Expense			94,000	94,000
DP Capital Outlay			13,000	13,000
Other Charges/Pass Thru	456,700	360,600	45,100	(315,500)
<b>Total</b>	<b>\$456,700</b>	<b>\$360,600</b>	<b>\$1,012,100</b>	<b>\$651,500</b>
<b>FTE/Other</b>				
Total FTE			9	9

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

**Purpose**

The Automated Geographic Reference Center (AGRC) was formally created as an operating unit of the Division of Information Technology Services (ITS) by the *Recodification of Department of Administrative Services* act (House Bill 88, 1993 General Session, Section 63A-6-202 Utah Code Annotated). AGRC is mandated to provide geographic information system services to State agencies, the federal government, municipalities, and private persons through utilizing a standardized and integrated State Geographic Information Database (SGID). The Center has received a direct appropriation since 1984, but is authorized, through ITS, to set fees for its services.

Geographic information is useful in a number of government applications, including natural resource management, infrastructure development and maintenance, and the establishment of political boundaries. It is also valuable in the private sector for activities such as commercial and residential development, marketing, and delivery/distribution.

*AGRC acts as a clearing house for geographic data collected by other state agencies*

A Geographic Information System (GIS) uses computers to integrate like geographic information “horizontally” across large areas – in the case of the AGRC, across the State of Utah. GIS also integrates data “vertically” allowing users to cross-reference multiple sets of data for a given geographic region – for instance, allowing a user to easily identify the roads, hospitals, convenience stores, and elected officials for his or her neighborhood. The integration of geographic information increases its value exponentially.

The AGRC continues to collect and integrate geographic information from numerous sources into a common GIS, the State Geographic Information Database. SGID is available on-line at <http://www.its.state.ut.us/agrc/>.

*Base resources reduced by \$16,000*

In its attempt to address a \$117.3 million revenue shortfall for FY 2003, the Utah Legislature in December, 2002 enacted across-the-board budget cuts for state agencies, higher education, and public education. Legislators reduced ongoing appropriations for the AGRC by \$16,000.

According to the Department of Administrative Services, “AGRC will transfer resources from state work to billable work”<sup>1</sup> to accommodate the reduction. No further action is necessary by the Legislature.

**Intent Language**

The Legislature included the following intent language in the *Supplemental Appropriations Act II* (House Bill 3, 2002 General Session), page 6, Item 24:

*It is the intent of the Legislature that the Department of Administrative Services Division of Information Technology Services use operating revenues to fund acquisition and integration activities of the Automated Geographic Reference Center in an amount equal to \$676,600 less any General Fund appropriated to the program.*

According to the Department of Administrative Services’ budget request, AGRC’s FY 2003 operating expenses will be \$1,376,600, of which \$300,000 is subsidized by other activities in ITS. The Analyst notes that this estimate is likely understated by more than \$250,000 due to an Executive Branch accounting error.

*Rate clarity supports better investment decisions*

As demonstrated in the intent language above, the Legislature has in the past directed the Division of Information Technology Services to use revenue generated by other services to support the activities of the Automated Geographic Reference Center. The Analyst believes that this is not an ideal solution to AGRC’s funding needs as it masks the true cost of ITS services and causes user agencies to pay for services they are not consuming.

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<sup>1</sup> Anthony, Camille. *H.B. 6001 Legislative Cuts – Department of Administrative Services*. Presentation to the Capital Facilities and Administrative Services Appropriations Subcommittee of the Utah Legislature. January 24, 2003.

While such cross-subsidy was directed by the Legislature in the case of AGRC, and may be necessary in other cases to establish a new service or do research and development, long-term cross-subsidization corrupts price signals upon which users base consumption decisions.

*Example: Tape Back-Up of Computer Data*

“For example, if in July, 2002, a user agency investigated options for backing-up its computer data, it would have found that the Division of Information Technology Services’ rate for tape storage was \$0.08 per megabyte per month. At a quantity demanded of 20 gigabytes storage per month, the ISF cost for back-up would have been \$19,200. By comparison, the incremental cost of purchasing and operating a tape back-up unit in-house at a user agency would have been about \$13,100. The user agency’s logical choice in this scenario would be to purchase and operate a tape back-up unit in-house.

“The true cost recovery rate for tape storage is \$0.04 per megabyte per month, making the annual cost of ISF storage \$9,600 and therefore the more cost effective option. The revenue generated by the four cent rate disparity presumably subsidized other services for which a rate was not established or for which a rate was too low.

“In this example, the inflated rate also sent an incorrect signal to user agencies that purchasing and operating their own tape back-up units was cheaper than using an ITS, and could have resulted in unnecessary capital investment by the State as a whole.”<sup>2</sup>

To eliminate the AGRC subsidy, the Analyst would ideally recommend the following:

1. ITS not include the cost of the AGRC in its calculation of rates.
2. ITS adjust all of its rates so that they accurately reflect the direct cost of providing the service for which they are charged.
3. The Legislature appropriate to the Automated Geographic Reference Center \$300,000 in free revenue generated by the ITS rate changes recommended in items number 1 and 2.

*First step can be removing a known subsidy*

The Division of Information Technology Services, Department of Administrative Services, and Internal Service Fund Rate Committee have committed to perform the comprehensive cost and rate evaluation suggested in item 2 by mid 2003. This timing, however, does not facilitate Legislative action in the current General Session. As such, the Analyst recommends the following interim solution:

1. The Legislature remove AGRC from ITS’ cost structure by making AGRC a separate line-item and providing direct appropriations to AGRC.

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<sup>2</sup> Allred, Steven *et al.* *Internal Service Funds Cost Structure and Budget Impact*. Office of the Legislative Fiscal Analyst. August 20, 2002. Page 9.

2. The Legislature remove AGRC costs from ITS' revenue stream by reducing ITS' rate for telephone service by \$1 per month.
3. To temporarily cover the ongoing cost of AGRC, the Legislature appropriate \$300,000 in one-time General Funds to AGRC for FY 2004.
4. The Legislature include the following intent language in the FY 2004 Appropriations Act:

*It is the intent of the legislature that the Division of Information Technology Services, Department of Administrative Services, and Internal Service Fund Rate Committee perform a comprehensive review of Division of Information Technology Services (ITS) costs, products, and rates prior to the 2004 General Session. It is further the intent of the Legislature that, as a result of the review described above, the Rate Committee recommend to the Legislature prior to its 2004 General Session a new rate structure for ITS that accurately associates rates with the cost of services for which those rates are charged.*

*It is the intent of the Legislature that, should a comprehensive review of Division of Information Technology Services costs, products, and rates results in ongoing savings to the General Fund of at least \$300,000 beginning in FY 2005 or prior, the Office of the Legislative Fiscal Analyst shall recommend that amount to the Legislature as an ongoing appropriation to the Automated Geographic Reference Center beginning in FY 2005.*

For more information about ITS costs and rates, the Analyst's proposed rate change, and the revenue impacts of all of the above, see the Budget Analysis for the Division of Information Technology Services Internal Service Fund.

**4.0 Additional Information: Automated Geographic Reference Center (AGRC)**

**4.1 Funding History**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Financing</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated*</b>	<b>Analyst</b>
General Fund	376,600	376,600	456,700	360,600	360,600
General Fund, One-time		500,000			300,000
Dedicated Credits Revenue					351,500
<b>Total</b>	<u>\$376,600</u>	<u>\$876,600</u>	<u>\$456,700</u>	<u>\$360,600</u>	<u>\$1,012,100</u>
<b>Programs</b>					
Automated Geographic Ref Ctr	376,600	876,600	456,700	360,600	1,012,100
<b>Total</b>	<u>\$376,600</u>	<u>\$876,600</u>	<u>\$456,700</u>	<u>\$360,600</u>	<u>\$1,012,100</u>
<b>Expenditures</b>					
Personal Services					820,400
Current Expense					39,600
DP Current Expense					94,000
DP Capital Outlay					13,000
Other Charges/Pass Thru	376,600	876,600	456,700	360,600	45,100
<b>Total</b>	<u>\$376,600</u>	<u>\$876,600</u>	<u>\$456,700</u>	<u>\$360,600</u>	<u>\$1,012,100</u>
<b>FTE/Other</b>					
Total FTE					9

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency.

Note: Historical data on AGRC financing, expenditures, and FTE can be found in the Budget Analysis for the Division of Information Technology Services.