

Office of the
Legislative Fiscal Analyst

FY 2004 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 2004 Base	Analyst FY 2004 Changes	Analyst FY 2004 Total
Financing by Source			
Dedicated Credits - Intragvt Rev	14,607,400		14,607,400
Total	<u>\$14,607,400</u>	<u>\$0</u>	<u>\$14,607,400</u>
Expenditures by Program			
ISF - General Services Administration			
ISF - Central Mailing	8,122,200		8,122,200
ISF - Electronic Purchasing	256,300		256,300
ISF - Publishing	5,490,200		5,490,200
Total	<u>\$13,868,700</u>	<u>\$0</u>	<u>\$13,868,700</u>
Profit/Loss	<u>\$738,700</u>	<u>\$0</u>	<u>\$738,700</u>
FTE/Other			
Total FTE	63		63
Authorized Capital Outlay	2,377,900		2,377,900
Retained Earnings	1,387,200		1,387,200

3.0 Programs: Internal Service Funds – Purchasing

3.1 Administration

	2002	2003	2004	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Total	\$0	\$0	\$0	\$0
Expenditures				
Personal Services	250,300	249,100	247,400	(1,700)
Current Expense	29,000	29,800	29,800	
DP Current Expense	35,100	35,200	35,200	
Other Charges/Pass Thru	(307,200)	(314,100)	(312,400)	1,700
Total	\$7,200	\$0	\$0	\$0
Profit/Loss	(\$7,200)	\$0	\$0	\$0
FTE/Other				
Total FTE	3	3	3	
Retained Earnings	(7,200)	(7,200)	(7,200)	

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

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.

	<u>Actual</u>		<u>Estimated</u>	
	<i>FY 2001</i>	<i>FY 2002</i>	<i>FY 2003</i>	<i>FY 2004</i>
Total Revenue	\$12,512,000	\$13,994,800	\$14,056,800	\$14,238,400
Admin. Overhead	\$317,600	\$307,200	\$314,100	\$312,400
Percentage	2.54%	2.20%	2.23%	2.19%

3.2 Central Mailing

	2002	2003	2004	Est/Analyst
	Actual	Estimated	Analyst	Difference
Financing				
Dedicated Credits - Intragvt Rev	8,740,800	8,385,400	8,385,400	
Transfers	(8,300)			
Total	\$8,732,500	\$8,385,400	\$8,385,400	\$0
Expenditures				
Personal Services	1,312,300	1,323,100	1,304,000	(19,100)
In-State Travel	4,100	5,800	3,500	(2,300)
Out of State Travel	1,500	1,500	1,500	
Current Expense	6,617,100	6,666,100	6,666,100	
DP Current Expense	2,300			
Capital Outlay	56,500			
Depreciation	99,200	107,700	147,100	39,400
Total	\$8,093,000	\$8,104,200	\$8,122,200	\$18,000
Profit/Loss				
	\$639,500	\$281,200	\$263,200	(\$18,000)
FTE/Other				
Total FTE	38	38	38	
Authorized Capital Outlay	1,222,200	1,376,300	92,000	(1,284,300)
Retained Earnings	1,315,700	1,596,900	1,860,100	263,200

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

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.

Authorized Capital Outlay

The Analyst recommends approval \$92,000 in capital out lay for FY 2004 to purchase equipment. The recommendation does not include prior authorizations.

Mail: Capital Outlay	
<i>Item</i>	<i>Amount</i>
Mail Meter	\$32,000
Xray Machine	45,000
Sorting Bins	5,000
Tabber/Labeler	10,000
Total	\$92,000

3.3 Copy and Publishing Services

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
Financing				
Dedicated Credits - Intragvt Rev	4,911,600	5,329,000	5,879,600	550,600
Total	<u>\$4,911,600</u>	<u>\$5,329,000</u>	<u>\$5,879,600</u>	<u>\$550,600</u>
Expenditures				
Personal Services	776,200	773,000	769,900	(3,100)
In-State Travel	3,300	3,200	3,200	
Out of State Travel	900	1,700	1,700	
Current Expense	2,746,200	2,778,600	2,812,600	34,000
DP Current Expense	3,300	3,300	3,300	
Depreciation	1,425,800	1,717,900	1,899,500	181,600
Total	<u>\$4,955,700</u>	<u>\$5,277,700</u>	<u>\$5,490,200</u>	<u>\$212,500</u>
Profit/Loss	<u>(\$44,100)</u>	<u>\$51,300</u>	<u>\$389,400</u>	<u>\$338,100</u>
FTE/Other				
Total FTE	17	17	18	1
Authorized Capital Outlay	3,139,000	3,554,000	2,285,900	(1,268,100)
Retained Earnings	(1,108,600)	(1,057,300)	(667,900)	389,400

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

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. Agencies are not required to use State Publishing Services if other options are more cost effective. However, with further consolidation and no need for a profit margin the Publishing program can keep costs extremely low and provide significant savings to the state.

Authorized Capital Outlay

The Analyst capital outlay recommendation for FY 2004 totals \$2,285,900 for new copiers replacement copiers and a new stitch and fold machine.

Copier Purchases	
Replacements	\$2,152,400
New Equipment	126,000
Other Equipment	7,500
Recommended Outlay	<u><u>\$2,285,900</u></u>

Improvement in Retained Earnings

Last year the Legislature expressed concern over the number and dispersion of expensive copier/publishing systems. In response, the Division consolidated operations and reduced equipment. The result is a return to profitability that enables the program to begin to reverse mounting losses in retained earnings.

Publishing: Retained Earnings	
FY 2001	(\$1,064,500)
FY 2002	(\$1,108,600)
FY 2003	(\$1,057,300)
FY 2004	(\$667,900)

3.4 Central Stores/Electronic Purchasing

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
Financing				
Dedicated Credits - Intragvt Rev	342,400	342,400	342,400	
Total	<u>\$342,400</u>	<u>\$342,400</u>	<u>\$342,400</u>	<u>\$0</u>
Expenditures				
Personal Services	127,900	207,700	205,100	(2,600)
In-State Travel	900	900	900	
Current Expense	49,600	50,300	50,300	
DP Current Expense	400			
Total	<u>\$178,800</u>	<u>\$258,900</u>	<u>\$256,300</u>	<u>(\$2,600)</u>
Profit/Loss	<u>\$163,600</u>	<u>\$83,500</u>	<u>\$86,100</u>	<u>\$2,600</u>
FTE/Other				
Total FTE	5	5	4	(1)
Retained Earnings	32,700	116,100	202,200	86,100

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

Prior to 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 in 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. Office supplies are delivered directly to agency desktops within 24 hours of order receipt.

“P-Card” streamlines management and offers control

The Purchasing Card or P-Card is a Visa card that is designed to supplement or eliminate a variety of processes including petty cash, local check writing, low-value authorizations and small dollar purchase orders. It provides a more efficient, cost effective method of purchasing and payment for small dollar transactions.

The P-Card can be used for in-store purchases as well as mail, e-mail, telephone and fax orders. Each card carries pre-established monthly credit limits. Agencies may further limit transaction amounts and the number of daily transaction per day. The P-Card’s Merchant Category Codes prevent use with inappropriate or high risk vendors.

4.0 Additional Information: General Services

	2000	2001	2002	2003	2004
Financing by Source	Actual	Actual	Actual	Estimated	Analyst
Dedicated Credits - Intragvt Rev	12,264,700	13,065,200	13,994,800	14,056,800	14,607,400
Transfers			(8,300)		
Total	\$12,264,700	\$13,065,200	\$13,986,500	\$14,056,800	\$14,607,400
Financing by Program					
ISF - Central Mailing	7,311,500	7,820,100	8,732,500	8,385,400	8,385,400
ISF - Electronic Purchasing	268,900	290,200	342,400	342,400	342,400
ISF - Publishing	4,684,300	4,954,900	4,911,600	5,329,000	5,879,600
Total	\$12,264,700	\$13,065,200	\$13,986,500	\$14,056,800	\$14,607,400
Expenditures					
Personal Services	2,282,100	2,356,600	2,466,700	2,552,900	2,526,400
In-State Travel	4,900	10,000	8,300	9,900	7,600
Out of State Travel	4,700	2,700	2,400	3,200	3,200
Current Expense	8,731,300	9,042,200	9,441,900	9,524,800	9,558,800
DP Current Expense	47,200	53,400	41,100	38,500	38,500
DP Capital Outlay	6,400	100			
Capital Outlay	1,224,600		56,500		
Other Charges/Pass Thru	(299,200)	(317,600)	(307,200)	(314,100)	(312,400)
Depreciation		1,364,600	1,525,000	1,825,600	2,046,600
Total	\$12,002,000	\$12,512,000	\$13,234,700	\$13,640,800	\$13,868,700
Profit/Loss	\$262,700	\$553,200	\$751,800	\$416,000	\$738,700
FTE/Other					
Total FTE	61	60	63	63	63
Authorized Capital Outlay	1,884,560	1,632,500	4,361,200	4,930,300	2,377,900
Retained Earnings	(1,065,300)	(512,200)	232,600	648,500	1,387,200

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