Office of the
Legislative Fiscal Analyst

FY 2005 Budget Recommendations

Joint Appropriations Subcommittee for
Natural Resources

Utah Department of Natural Resources
Internal Service Funds

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1.0 Summary
3.0 Programs
4.0 Additional Information
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1.0 Summary: Internal Service Funds

Internal Service Funds (ISFs) provide specific services to multiple agencies. This allows economies of scale and greater expertise than would be available if each agency provided its own services. Each agency that uses ISF services pays its "fair share" of costs. This is an exception to the Budgetary Procedures Act, which requires that funds not be moved between line items of appropriations. To guard against abuse, the 1988 Legislature passed H.B. 81, which provides budgetary controls over ISFs. The law does not allow an ISF to bill another agency unless the Legislature has:

• Reviewed and approved the ISF agency's budget request;
• Reviewed and approved the ISF's rates, fees, and other charges and included those rates, fees and charges in an appropriations act;
• Approved the number of employees;
• Appropriated the estimated revenue based on the rates and fee structure.
• Separately reviewed and approved the capital needs and related capital budget.

No new ISF agency may be established unless reviewed and approved by the Legislature.

The Department has three ISFs: Warehouse, Motor Pool, and Data Processing.

<table>
<thead>
<tr>
<th>Financing by Revenue Source</th>
<th>Analyst FY 2005 Base</th>
<th>Analyst FY 2005 Changes</th>
<th>Analyst FY 2005 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated Credits - Intragvt Rev</td>
<td>5,337,400</td>
<td></td>
<td>5,337,400</td>
</tr>
<tr>
<td>Sale of Fixed Assets</td>
<td>(15,700)</td>
<td></td>
<td>(15,700)</td>
</tr>
<tr>
<td>Total</td>
<td>$5,321,700</td>
<td>$0</td>
<td>$5,321,700</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures by Program</th>
<th>Analyst FY 2005</th>
<th>Analyst FY 2005</th>
<th>Analyst FY 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISF - DNR Warehouse</td>
<td>674,000</td>
<td></td>
<td>674,000</td>
</tr>
<tr>
<td>ISF - DNR Motorpool</td>
<td>3,602,300</td>
<td></td>
<td>3,602,300</td>
</tr>
<tr>
<td>ISF - DNR Data Processing</td>
<td>687,100</td>
<td></td>
<td>687,100</td>
</tr>
<tr>
<td>Total</td>
<td>$4,963,400</td>
<td>$0</td>
<td>$4,963,400</td>
</tr>
</tbody>
</table>

Profit/(Loss) $358,300 $0 $358,300

FTE/Other

| Total FTE                                     | 10.0                 | 0.0                    | 10.0                  |
| Authorized Capital Outlay                    | $100,000             | $0                     | $100,000              |
| Retained Earnings                            | ($1,457,200)         | $0                     | ($1,457,200)          |
3.0 Programs: Internal Service Funds

3.1 Warehouse

Recommendation

The Analyst recommends:

- Approved revenues of **$662,000**
- Approved operating expenses of **$674,000**. The ($12,000) difference between revenues and expenses will go to Retained Earnings.
- The rate and fee schedule shown below
- 2 FTEs
- No authorized capital outlay

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated Credits - Intragvt Rev</td>
<td>606,900</td>
<td>650,000</td>
<td>662,000</td>
<td>$12,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$606,900</strong></td>
<td><strong>$650,000</strong></td>
<td><strong>$662,000</strong></td>
<td><strong>$12,000</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Est/Analyst</th>
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</thead>
<tbody>
<tr>
<td>Personal Services</td>
<td>81,600</td>
<td>88,000</td>
<td>89,800</td>
<td>1,800</td>
</tr>
<tr>
<td>Current Expense</td>
<td>466,500</td>
<td>520,200</td>
<td>530,600</td>
<td>10,400</td>
</tr>
<tr>
<td>DP Current Expense</td>
<td>3,300</td>
<td>7,100</td>
<td>7,300</td>
<td>200</td>
</tr>
<tr>
<td>Other Charges/Pass Thru</td>
<td>2,100</td>
<td>6,100</td>
<td>6,200</td>
<td>100</td>
</tr>
<tr>
<td>Depreciation</td>
<td>46,600</td>
<td>40,100</td>
<td>40,100</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$600,100</strong></td>
<td><strong>$661,500</strong></td>
<td><strong>$674,000</strong></td>
<td><strong>$12,500</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Profit/(Loss)</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Est/Analyst</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6,800</td>
<td>($11,500)</td>
<td>($12,000)</td>
<td>($500)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FTE/Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total FTE</td>
</tr>
<tr>
<td>Retained Earnings</td>
</tr>
</tbody>
</table>

*Non-state funds as estimated by agency

Rate Schedule

Mark-up of goods above cost **19%**

Warehouse space, per square foot, per year **$4.38**

Core Sample Warehouse, per year for 22 years **$40,123**

<table>
<thead>
<tr>
<th>Revenue by Agency</th>
<th>FY03 Actual</th>
<th>FY04 Estimated</th>
<th>FY05 Analyst</th>
</tr>
</thead>
<tbody>
<tr>
<td>DNR Administration</td>
<td>$4,500</td>
<td>$5,100</td>
<td>$5,200</td>
</tr>
<tr>
<td>Forestry, Fire &amp; State Lands</td>
<td>26,100</td>
<td>27,300</td>
<td>27,800</td>
</tr>
<tr>
<td>Oil, Gas &amp; Mining</td>
<td>2,800</td>
<td>3,700</td>
<td>3,700</td>
</tr>
<tr>
<td>Wildlife Resources</td>
<td>314,500</td>
<td>324,500</td>
<td>330,500</td>
</tr>
<tr>
<td>Parks &amp; Recreation</td>
<td>195,300</td>
<td>214,800</td>
<td>218,700</td>
</tr>
<tr>
<td>UGS (Sample Library)</td>
<td>40,600</td>
<td>41,500</td>
<td>42,300</td>
</tr>
<tr>
<td>Water Resources</td>
<td>200</td>
<td>400</td>
<td>400</td>
</tr>
<tr>
<td>Water Rights</td>
<td>500</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Others</td>
<td>15,900</td>
<td>17,700</td>
<td>18,100</td>
</tr>
<tr>
<td>Motorpool</td>
<td>6,500</td>
<td>14,500</td>
<td>14,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$606,900</strong></td>
<td><strong>$650,000</strong></td>
<td><strong>$662,000</strong></td>
</tr>
</tbody>
</table>
Purpose

The Warehouse ISF provides purchasing services. It buys specialized items used by the divisions (e.g. Ranger uniforms). The program stores the articles until requisitioned by the divisions. It also includes the Core Sample Library used by the Utah Geological Survey. Other agencies, such as DFCM, purchase warehouse space from DNR.

Intent Language

The Analyst recommends maintaining the following intent language from H.B. 1, 2003 General Session:

It is the intent of the Legislature that, if funding is available, the Utah Geological Survey be allowed to pay up to $200,000 in contributed capital to the Natural Resources Warehouse Internal Service Fund in order to pay down their existing debt on the Core Sample Library.

In FY 2003 UGS was able to make a payment of $200,000 from federal mineral lease revenues. Mineral lease revenues came in higher than expected due to high energy costs. It is likely that energy costs will remain higher than average through FY 2004.
3.2 Motor Pool

**Recommendation**

The Analyst recommends:
- Approved revenues of $3,957,700
- Approved operating expenses of $3,602,300. The $355,400 difference between revenues and expenses will go to Retained Earnings.
- The rate and fee schedule shown below
- 4 FTEs
- No authorized capital outlay. Replacement vehicles will be leased from the Division of Fleet Operations (DFO).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated Credits - Intragvt Rev</td>
<td>3,833,600</td>
<td>4,015,800</td>
<td>3,973,400</td>
<td>(42,400)</td>
</tr>
<tr>
<td>Sale of Fixed Assets</td>
<td>(43,600)</td>
<td>(18,700)</td>
<td>(15,700)</td>
<td>3,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,790,000</strong></td>
<td><strong>$3,997,100</strong></td>
<td><strong>$3,957,700</strong></td>
<td><strong>($39,400)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Services</td>
<td>183,200</td>
<td>192,400</td>
<td>190,400</td>
<td>(2,000)</td>
</tr>
<tr>
<td>In-State Travel</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td>Current Expense</td>
<td>2,737,300</td>
<td>2,983,000</td>
<td>3,250,700</td>
<td>267,700</td>
</tr>
<tr>
<td>DP Current Expense</td>
<td>5,700</td>
<td>6,800</td>
<td>7,000</td>
<td>200</td>
</tr>
<tr>
<td>Other Charges/Pass Thru</td>
<td>27,300</td>
<td>29,900</td>
<td>30,500</td>
<td>600</td>
</tr>
<tr>
<td>Depreciation</td>
<td>621,900</td>
<td>320,700</td>
<td>120,700</td>
<td>(200,000)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,575,400</strong></td>
<td><strong>$3,535,800</strong></td>
<td><strong>$3,602,300</strong></td>
<td><strong>$66,500</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Profit/(Loss)</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$214,600</td>
<td>$461,300</td>
<td>$355,400</td>
<td>($105,900)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FTE/Other</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total FTE</td>
<td>4.2</td>
<td>4.0</td>
<td>4.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>($2,430,000)</td>
<td>($1,968,700)</td>
<td>($1,613,300)</td>
<td>$355,400</td>
</tr>
</tbody>
</table>

*Non-state funds as estimated by agency
Rates are based on breakeven costs for each class of vehicle. Rates include a $100.00 per month fixed rate plus the mileage rate shown below plus a fuel surcharge based on fuel prices.

<table>
<thead>
<tr>
<th>Vehicle</th>
<th>FY 04 Curr</th>
<th>FY 05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sedan</td>
<td>$0.20</td>
<td>$0.20</td>
</tr>
<tr>
<td>Station Wagon</td>
<td>0.20</td>
<td>0.20</td>
</tr>
<tr>
<td>Minivan</td>
<td>0.20</td>
<td>0.20</td>
</tr>
<tr>
<td>1/2 Ton 2WD Pick-Up</td>
<td>0.20</td>
<td>0.20</td>
</tr>
<tr>
<td>1/2 Ton 4WD Pick-Up</td>
<td>0.27</td>
<td>0.27</td>
</tr>
<tr>
<td>1/2 Ton 4WD Extended Cab Pick-Up</td>
<td>0.31</td>
<td>0.31</td>
</tr>
<tr>
<td>3/4 Ton 2WD Pick-Up</td>
<td>0.22</td>
<td>0.22</td>
</tr>
<tr>
<td>3/4 Ton 4WD Pick-Up</td>
<td>0.29</td>
<td>0.29</td>
</tr>
<tr>
<td>3/4 Ton 4WD Extended Cab Pick-Up</td>
<td>0.34</td>
<td>0.34</td>
</tr>
<tr>
<td>1 Ton 2WD Pick-Up</td>
<td>0.33</td>
<td>0.33</td>
</tr>
<tr>
<td>1 Ton 4WD Pick-Up</td>
<td>0.33</td>
<td>0.33</td>
</tr>
<tr>
<td>1 Ton 4WD Extended Cab Pick-Up</td>
<td>0.37</td>
<td>0.37</td>
</tr>
<tr>
<td>Sport Utility</td>
<td>0.27</td>
<td>0.27</td>
</tr>
<tr>
<td>Large Utility</td>
<td>0.29</td>
<td>0.34</td>
</tr>
<tr>
<td>Large Van</td>
<td>0.27</td>
<td>0.27</td>
</tr>
<tr>
<td>1 ½ Ton, 2 Ton, 2 ½ Ton, 1 Axle, etc</td>
<td>0.45</td>
<td>0.45</td>
</tr>
<tr>
<td>Fire Trucks</td>
<td>0.44</td>
<td>0.44</td>
</tr>
<tr>
<td>5 Ton, 10 Ton Tractor, etc</td>
<td>0.48</td>
<td>0.48</td>
</tr>
</tbody>
</table>

In FY 2000 DNR began leasing vehicle replacements and new vehicle additions through DFO. Under a memorandum of understanding, DNR pays DFO a special rate to recover depreciation and administrative overhead. DNR continues to administer the maintenance, data entry, reservation system, and other aspects of the motor pool.

Revenue by Agency

<table>
<thead>
<tr>
<th>Agency</th>
<th>FY03 Actual</th>
<th>FY04 Estimated</th>
<th>FY05 Analyst</th>
</tr>
</thead>
<tbody>
<tr>
<td>DNR Administration</td>
<td>$39,500</td>
<td>$39,700</td>
<td>$39,200</td>
</tr>
<tr>
<td>Forestry, Fire &amp; State Lands</td>
<td>487,800</td>
<td>515,400</td>
<td>509,900</td>
</tr>
<tr>
<td>Oil, Gas &amp; Mining</td>
<td>91,200</td>
<td>91,200</td>
<td>90,200</td>
</tr>
<tr>
<td>Wildlife Resources</td>
<td>2,183,600</td>
<td>2,307,900</td>
<td>2,283,600</td>
</tr>
<tr>
<td>Parks &amp; Recreation</td>
<td>816,500</td>
<td>860,900</td>
<td>851,700</td>
</tr>
<tr>
<td>Utah Geological Survey</td>
<td>40,700</td>
<td>43,700</td>
<td>43,300</td>
</tr>
<tr>
<td>Water Resources</td>
<td>41,700</td>
<td>39,700</td>
<td>39,300</td>
</tr>
<tr>
<td>Water Rights</td>
<td>86,600</td>
<td>89,700</td>
<td>88,800</td>
</tr>
<tr>
<td>Others</td>
<td>19,900</td>
<td>13,900</td>
<td>13,800</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>26,100</td>
<td>13,700</td>
<td>13,600</td>
</tr>
<tr>
<td>Sale of Fixed Assets</td>
<td>(43,600)</td>
<td>(18,700)</td>
<td>(15,700)</td>
</tr>
<tr>
<td>Total</td>
<td>$3,790,000</td>
<td>$3,997,100</td>
<td>$3,957,700</td>
</tr>
</tbody>
</table>

Capital Expenditures

None. All new vehicles will be leased from the Division of Fleet Operations (DFO).
3.3 Data Processing

**Recommendation**

The Analyst recommends:

- Approved revenues of **$702,000**
- Approved operating expenses of **$687,100**. The **$14,900** difference between revenues and expenses will go to Retained Earnings.
- The rate and fee schedule shown below
- **4 FTEs**
- Authorized capital outlays in the amount of **$100,000** with a five-year depreciation schedule.

<table>
<thead>
<tr>
<th><strong>Financing</strong></th>
<th>2003 Actual</th>
<th>2004 Estimated*</th>
<th>2005 Analyst</th>
<th>Est/Analyst Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated Credits - Intragvt Rev</td>
<td>484,100</td>
<td>443,700</td>
<td>702,000</td>
<td>258,300</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$484,100</strong></td>
<td><strong>$443,700</strong></td>
<td><strong>$702,000</strong></td>
<td><strong>$258,300</strong></td>
</tr>
</tbody>
</table>

**Expenditures**

<table>
<thead>
<tr>
<th><strong>Financing</strong></th>
<th>2003 Actual</th>
<th>2004 Estimated*</th>
<th>2005 Analyst</th>
<th>Est/Analyst Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Services</td>
<td>256,600</td>
<td>273,000</td>
<td>271,300</td>
<td>(1,700)</td>
</tr>
<tr>
<td>In-State Travel</td>
<td>800</td>
<td>500</td>
<td>500</td>
<td>(300)</td>
</tr>
<tr>
<td>Current Expense</td>
<td>38,500</td>
<td>59,000</td>
<td>42,100</td>
<td>(16,900)</td>
</tr>
<tr>
<td>DP Current Expense</td>
<td>199,100</td>
<td>336,000</td>
<td>351,100</td>
<td>15,100</td>
</tr>
<tr>
<td>Other Charges/Pass Thru</td>
<td>1,900</td>
<td>6,000</td>
<td>2,100</td>
<td>(3,900)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>27,400</td>
<td>27,400</td>
<td>20,000</td>
<td>(7,400)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$523,500</strong></td>
<td><strong>$702,200</strong></td>
<td><strong>$687,100</strong></td>
<td><strong>($15,100)</strong></td>
</tr>
</tbody>
</table>

**Profit/(Loss)**

<table>
<thead>
<tr>
<th><strong>Profit/(Loss)</strong></th>
<th>2003 Actual</th>
<th>2004 Estimated*</th>
<th>2005 Analyst</th>
<th>Est/Analyst Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>($39,400)</td>
<td>($258,500)</td>
<td>$14,900</td>
<td>$273,400</td>
<td></td>
</tr>
</tbody>
</table>

**FTE/Other**

<table>
<thead>
<tr>
<th><strong>FTE/Other</strong></th>
<th>2003 Actual</th>
<th>2004 Estimated*</th>
<th>2005 Analyst</th>
<th>Est/Analyst Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total FTE</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Authorized Capital Outlay</td>
<td>$0</td>
<td>$100,000</td>
<td>$100,000</td>
<td>$0</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>$303,800</td>
<td>$45,300</td>
<td>$60,200</td>
<td>$14,900</td>
</tr>
</tbody>
</table>

*Non-state funds as estimated by agency

**Rate Schedule**

In theory, rates are based upon total estimated costs incurred divided by the number of hot ports used by each division. In reality, divisions connect and disconnect constantly, so the number of hot ports is fluid. Therefore, rates charged are really based on what the divisions paid in the prior year. The revenue by agency shown below is identical to the prior year.
LAN upgrades, file servers, and software (if needed): $100,000

This ISF provides computer services to the divisions. Services include, but are not limited to:
• Network operations
• Computer maintenance
• Software integration
• Computer system customization for department needs

The Analyst does not see any significant advantages to this function being an ISF as opposed to a regular appropriated entity. Rates are not based on actual usage, so there are no price signals to guide purchasing decisions or incentivize improved customer service. There are already several data processing FTEs in DNR Administration outside the ISF. Services are rendered only inside the DNR building in Salt Lake, leaving the divisions responsible for employing additional data processing staff to support field offices.

Without the usual advantages that Internal Service Funds provide, it is questionable whether it is worth continuing the extra administrative burdens they create. The Analyst would support a decision by the department to convert this ISF to an appropriated entity.
4.0 Additional Information: Internal Service Funds

4.1 Funding History

<table>
<thead>
<tr>
<th>Financing by Revenue Source</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated Credits - Intragvt Rev</td>
<td>5,042,500</td>
<td>5,178,700</td>
<td>4,924,600</td>
<td>5,109,500</td>
<td>5,337,400</td>
</tr>
<tr>
<td>Sale of Fixed Assets</td>
<td>35,000</td>
<td>(3,100)</td>
<td>(43,600)</td>
<td>(18,700)</td>
<td>(15,700)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$5,077,500</td>
<td>$5,175,600</td>
<td>$4,881,000</td>
<td>$5,090,800</td>
<td>$5,321,700</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financing by Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISF - DNR Warehouse</td>
</tr>
<tr>
<td>ISF - DNR Motorpool</td>
</tr>
<tr>
<td>ISF - DNR Data Processing</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Services</td>
</tr>
<tr>
<td>In-State Travel</td>
</tr>
<tr>
<td>Current Expense</td>
</tr>
<tr>
<td>DP Current Expense</td>
</tr>
<tr>
<td>Other Charges/Pass Thru</td>
</tr>
<tr>
<td>Depreciation</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Profit/(Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$413,200</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FTE/Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total FTE</td>
</tr>
<tr>
<td>Authorized Capital Outlay</td>
</tr>
<tr>
<td>Retained Earnings</td>
</tr>
</tbody>
</table>

*Non-state funds as estimated by agency.