Office of the
Legislative Fiscal Analyst

FY 2005 Budget Recommendations

Joint Appropriations Subcommittee for
Capital Facilities and Administrative Services

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

Contents:

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.

Financing by Revenue Source	Analyst FY 2005 Base	Analyst FY 2005 Changes	Analyst FY 2005 Total
Dedicated Credits - Intragvt Rev	$14,589,100	$0	$14,589,100
Total	$14,589,100	$0	$14,589,100
Expenditures by Program			
ISF - Central Mailing	$8,614,600	$0	$8,614,600
ISF - Electronic Purchasing	283,100		283,100
ISF - Publishing	5,196,900		5,196,900
Total	$14,094,600	$0	$14,094,600
Profit/(Loss)	$494,500	$0	$494,500
FTE/Other			
Total FTE	64		64
Authorized Capital Outlay	$2,816,000	$0	$2,816,000
Retained Earnings	$1,755,400	$0	$1,755,400

3.0 Programs: Internal Service Funds – Purchasing

3.1 Administration

Financing	2003 Actual	2004 Estimated*	2005 Analyst	Est/Analyst Difference
Total	$0	$0	$0	$0
Expenditures				
Personal Services	$220,900	$216,400	$215,600	($800)
In-State Travel	1,100			
Current Expense	33,000	32,900	32,900	
DP Current Expense	29,600	35,200	35,200	
Other Charges/Pass Thru	(281,700)	(284,500)	(283,700)	800
Total	$2,900	$0	$0	$0
Profit/(Loss)	($2,900)	$0	$0	$0
FTE/Other				
Total FTE	3	3	3	0
Retained Earnings	($5,700)	($5,700)	($5,700)	$0

*Non-state 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 managed within this program. The programs are billed in proportion to their share of the total division budget. The Analyst anticipates that administrative costs as a percentage of total expenditure will fall below two percent in FY 2005.

	FY 2001-2003 Actual			**FY 2004-2005 Estimated**	
	FY 2001	*FY 2002*	*FY 2003*	*FY 2004*	*FY 2005*
Total Expenditure	$12,512,000	$13,234,700	$13,423,900	$13,785,400	$14,589,100
Admin. Overhead	$317,600	$307,200	$281,700	$284,500	$283,700
Percentage	2.54%	2.32%	2.10%	2.06%	1.94%

Source: OLFA Meribah Database

3.2 Central Mailing

Financing	2003 Actual	2004 Estimated*	2005 Analyst	Est/Analyst Difference
Dedicated Credits - Intragvt Rev	$8,814,900	$8,814,900	$8,814,900	$0
Total	$8,814,900	$8,814,900	$8,814,900	$0
Expenditures				
Personal Services	$1,406,700	$1,408,000	$1,403,500	($4,500)
In-State Travel	4,800	5,000	5,000	
Out of State Travel	500			
Current Expense	7,037,800	7,031,300	7,031,300	
DP Current Expense	1,700			
Depreciation	73,900	117,800	174,800	57,000
Total	$8,525,400	$8,562,100	$8,614,600	$52,500
Profit/(Loss)	$289,500	$252,800	$200,300	($52,500)
FTE/Other				
Total FTE	40	39	39	0
Authorized Capital Outlay	$160,000	$92,000	$570,000	$478,000
Retained Earnings	$1,600,200	$1,853,000	$2,053,300	$200,300
Vehicles	14	14	14	0

*Non-state funds as estimated by agency

State Mail provides mail services for agencies throughout the State. 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 $570,000 in capital outlay for FY 2005 to purchase equipment. The recommendation does not include carry forward of prior authorizations.

State Mail Capital Outlay Authority

	FY 2003 Actual	*FY 2004 Estimated*	*FY 2005 Recommended*
Metering Station/Inserter	$160,000		
Postage Meter		$32,000	
X Ray Machine		45,000	
Sorting Bins		5,000	
Tabber/Labeller		10,000	
Multiline OCR			$550,000
Folder			20,000
Total	$160,000	$92,000	$570,000

3.3 Copy and Publishing Services

Financing	2003 Actual	2004 Estimated*	2005 Analyst	Est/Analyst Difference
Dedicated Credits - Intragvt Rev	$4,764,200	$5,140,800	$5,421,900	$281,100
Total	$4,764,200	$5,140,800	$5,421,900	$281,100
Expenditures				
Personal Services	$728,900	$844,300	$841,700	($2,600)
In-State Travel	5,400	3,200	3,200	
Out of State Travel	400	1,700	1,700	
Current Expense	2,597,200	2,639,400	2,696,500	57,100
DP Current Expense	1,500	3,300	3,300	
Depreciation	1,377,600	1,447,600	1,650,500	202,900
Total	$4,711,000	$4,939,500	$5,196,900	$257,400
Profit/(Loss)	$53,200	$201,300	$225,000	$23,700
FTE/Other				
Total FTE	16	18	18	0
Authorized Capital Outlay	$1,258,600	$2,285,900	$2,246,000	($39,900)
Retained Earnings	($1,056,500)	($855,200)	($630,200)	$225,000
Vehicles	2	2	2	0

*Non-state 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 2005 totals $2,246,000 for new copiers, replacement copiers and a speed punch.

Publishing Services Capital Outlay Authority

	FY 2003 Actual	*FY 2004 Estimated*	*FY 2005 Recommended*
Replacement Copiers	$1,258,896	$2,152,400	$1,671,000
New Copiers		126,000	346,000
Contingency Copiers			200,000
Stitch and Fold Machine		7,500	
Universal Speed Punch			29,000
Total	$1,258,896	$2,285,900	$2,246,000

Improvement in Retained Earnings

Over the past two years 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. Based on the table below, it appears that the Division was overly optimistic regarding how fast it could reduce its negative equity position.

Publishing Services: Retained Earnings		
	2003 GS	*2004 GS*
	FY 03/04 Estimated	*FY 04/05 Estimated*
FY 2001	($1,064,500)	($1,064,500)
FY 2002	($1,105,600)	($1,105,600)
FY 2003	($1,057,300)	($1,056,500)
FY 2004	($667,900)	($855,200)
FY 2005		($630,200)

The Department notes that several factors contribute to the slower than expected elimination of retained earnings. “is a continued movement by agencies to digital copying - and on their own equipment. As prices drop and computer printing capabilities increase, agencies are using the state copy centers less.”[1] The Analyst believes that it is more appropriate for the Division to work out of a deficit position more slowly, allowing rates to stay lower for state agencies. This provides a savings for the state in the short term and stability in the long term.

[1] Email from David Lamb, DAS Budget Director. January 27, 2004.

3.4 Central Stores/Electronic Purchasing

Financing	2003 Actual	2004 Estimated*	2005 Analyst	Est/Analyst Difference
Dedicated Credits - Intragvt Rev	$352,300	$352,300	$352,300	$0
Total	$352,300	$352,300	$352,300	$0
Expenditures				
Personal Services	$111,800	$216,400	$215,700	($700)
In-State Travel	800	900	900	
DP Current Expense	72,000	66,500	66,500	
Total	$184,600	$283,800	$283,100	($700)
Profit/(Loss)	$167,700	$68,500	$69,200	$700
FTE/Other				
Total FTE	2	4	4	0
Retained Earnings	$200,300	$268,800	$338,000	$69,200

*Non-state 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

Financing by Revenue Source	2001 Actual	2002 Actual	2003 Actual	2004 Estimated*	2005 Analyst
Dedicated Credits - Intragvt Rev	$13,065,200	$13,994,800	$13,931,400	$14,308,000	$14,589,100
Transfers		(8,300)			
Total	$13,065,200	$13,986,500	$13,931,400	$14,308,000	$14,589,100
Financing by Program					
ISF - Central Mailing	$7,820,100	$8,732,500	$8,814,900	$8,814,900	$8,814,900
ISF - Electronic Purchasing	290,200	342,400	352,300	352,300	352,300
ISF - Publishing	4,954,900	4,911,600	4,764,200	5,140,800	5,421,900
Total	$13,065,200	$13,986,500	$13,931,400	$14,308,000	$14,589,100
Expenditures					
Personal Services	$2,356,600	$2,466,700	$2,468,300	$2,685,100	$2,676,500
In-State Travel	10,000	8,300	12,100	9,100	9,100
Out of State Travel	2,700	2,400	900	1,700	1,700
Current Expense	9,042,200	9,441,900	9,668,000	9,703,600	9,760,700
DP Current Expense	53,400	41,100	104,800	105,000	105,000
DP Capital Outlay	100				
Capital Outlay		56,500			
Other Charges/Pass Thru	(317,600)	(307,200)	(281,700)	(284,500)	(283,700)
Depreciation	1,364,600	1,525,000	1,451,500	1,565,400	1,825,300
Total	$12,512,000	$13,234,700	$13,423,900	$13,785,400	$14,094,600
Profit/(Loss)	$553,200	$751,800	$507,500	$522,600	$494,500
FTE/Other					
Total FTE	60	63	61	64	64
Authorized Capital Outlay	$1,632,500	$4,361,200	$1,418,600	$2,377,900	$2,816,000
Retained Earnings	($512,200)	$232,600	$738,300	$1,260,900	$1,755,400
Vehicles	13	13	16	16	16

*Non-state funds as estimated by agency.