

Budget Brief – DAS Division of Finance - Administration

NUMBER CFAS-06-09

SUMMARY

The Division of Finance is the State of Utah’s central financial accounting office. The division provides direction regarding fiscal matters, financial systems, processes and information. This includes maintaining accounting and payroll systems, ensuring compliance with state financial laws, maintaining a data warehouse of financial information, producing the state’s financial reports, processing the state’s payments, and operating the state’s travel agency.

The Division of Finance is divided into six programs (Director’s Office, Payroll, Accounts Payable, Technical Services, Financial Reporting, and Financial Information Systems) to accomplish its mission. Some of its key functions are to:

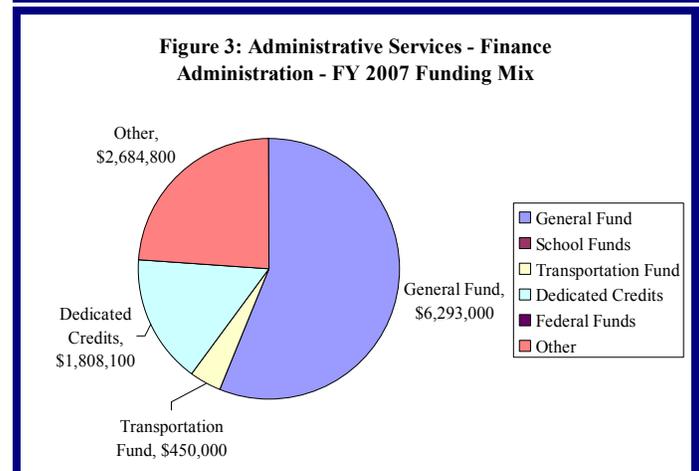
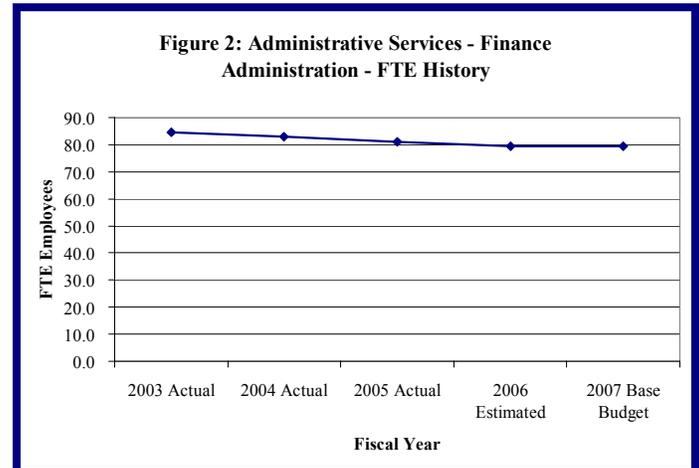
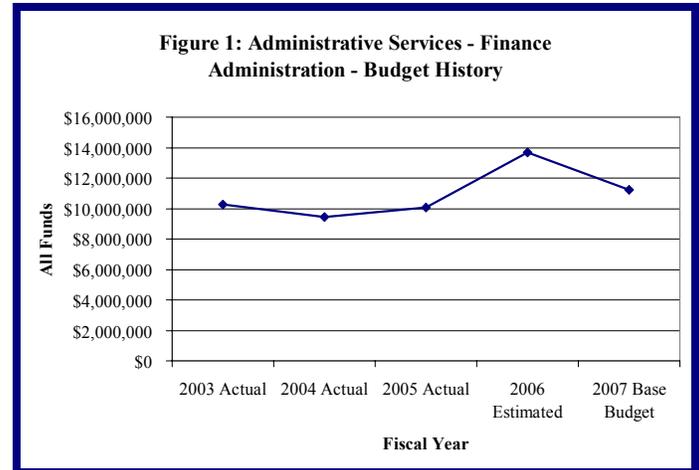
- Produce the State’s Comprehensive Annual Financial Report (CAFR)
- Ensure compliance with generally accepted accounting principles
- Pay all bills to vendors/contractors and issue payroll checks
- Develop, operate, and maintain accounting systems to control spending, state assets and state loans
- Process the state’s payroll
- Account for revenues collected by all agencies

ISSUES AND RECOMMENDATIONS

Other Post Employment Benefits (OPEB) Actuarial Study

The 2005 Legislature appropriated \$50,000 to the Division of Finance for an actuarial study to determine the state’s liability for retiree health insurance. The state had never actuarially calculated the size of its obligation before. Under a new accounting rule, governments must start recognizing this long-term obligation. The Legislature also adopted House Bill 213 to corral retiree health insurance costs.

During the 2005 Interim the actuary completed the study and reported to the Executive Appropriations Committee. He reported the state’s unfunded liability at \$536 million, requiring an annual contribution of \$51.4 million (at 8% interest) until 2030. To be considered “funded” the state would require legislation creating an irrevocable trust.



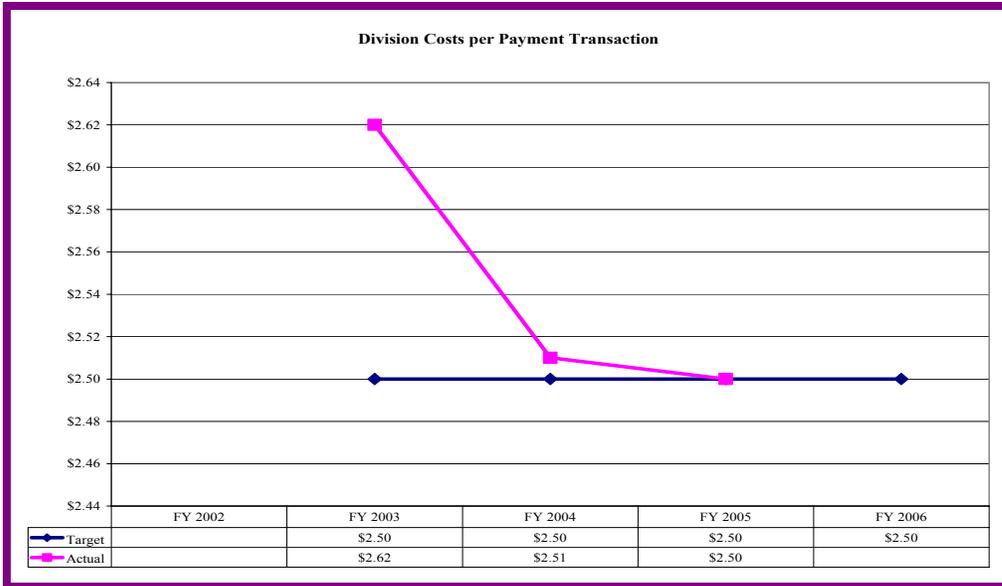
If the state chose to the “pay as you go” method rather than a flat annual contribution, the unfunded liability is \$828 million, beginning at \$25 million in 2006 and peaking at \$71 million in 2017 before gradually declining in a parabola shaped curve.

Bond rating agencies are closely monitoring how states manage their OPEB liability.

ACCOUNTABILITY DETAIL

Division Costs per Payment Transaction

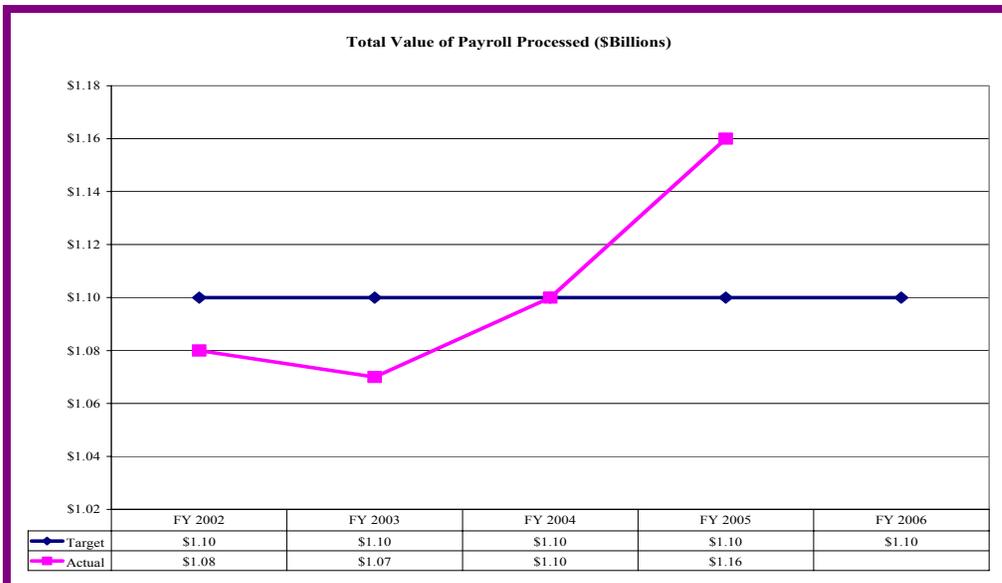
This is a measure of the total division costs (except new computer system projects) divided by the number of checks and electronic fund transfers issued. It is intended to gauge the efficiency of the organization.



The division is accomplishing more with less. Actual division FTE have declined from 83.6 in FY 2002 to 76.9 in FY 2005. Yet the number of payment transactions, the dollar value of transactions, the number of funds to monitor, and the number of Government Accounting Standards Board (GASB) regulations have been increasing.

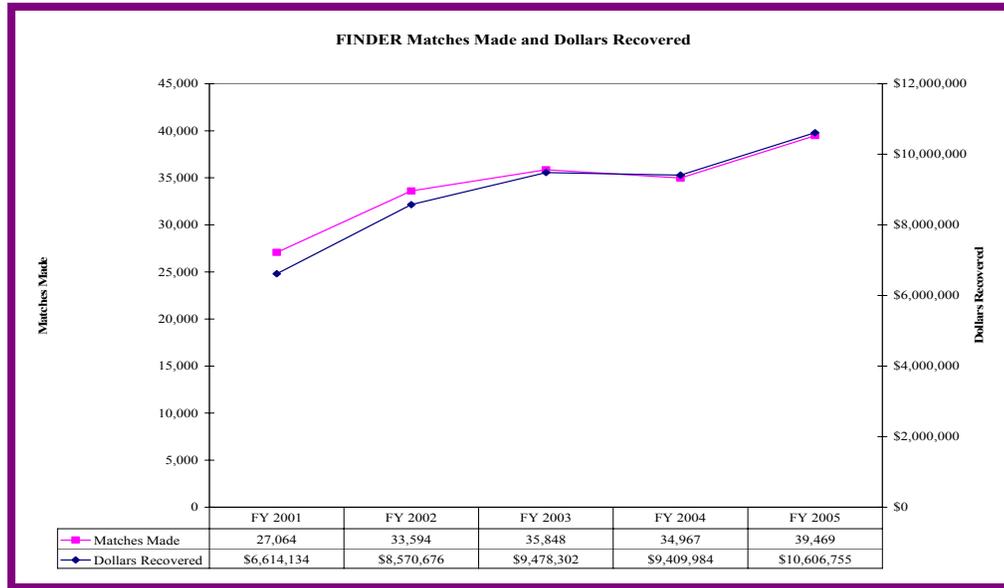
Total Value of Payroll Processed (\$ in Billions)

During the past five fiscal years the division has had 100 percent on-time payroll, which includes making a payroll system available at all times for agencies to complete their payroll data.



FINDER Matches Made and Dollars Recovered

Division goals and objectives are met with timely disbursement of tax refunds to the public and payments to vendors. They are further met by collecting funds for other agencies through FINDER. FINDER matches tax refunds and vendor payments with outstanding receivables due the state. Those receivables include tax bills, child support, student loans, parking and moving violations, and unemployment insurance. If a match is made, the payment or tax refund is intercepted and paid to the entity owed.



The number of matches and dollars recovered has grown steadily since FY 1995, when the number of matches made was 19,426 and dollars collected were \$4.9 million.

BUDGET DETAIL

Dedicated Credits are generated from user fees in the travel office, administrative costs charged to the Finder System, and overhead charges made for accounting services.

Intent language in this line item requires that nonlapsing balances be expended on accounting systems.

Because of the large amount of data processed for the Department of Transportation, a portion of the Financial Information Systems program is funded from the Transportation Fund.

Budget Recommendation

The Analyst recommends a total FY 2007 base appropriation of \$11,235,900, with \$6,293,000 from the General Fund.

Intent Language

The Analyst recommends the Legislature continue using the following intent language which was approved in House Bill 1, 2005 General Session:

It is the intent of the Legislature that funds for the Division of Finance shall not lapse and that those funds shall be used for maintenance, operation, and development of statewide accounting systems.

LEGISLATIVE ACTION

This section is a summary of what actions might be taken if the Legislature wishes to adopt the recommendations of this brief. The Analyst recommends the Legislature consider adopting:

1. A total base appropriation of \$11,235,900 for the Division of Finance.
2. Intent language making the appropriation nonlapsing for accounting systems.

BUDGET DETAIL TABLE

Administrative Services - Finance Administration						
Sources of Finance	FY 2005 Actual	FY 2006 Appropriated	Changes	FY 2006 Revised	Changes	FY 2007* Base Budget
General Fund	5,992,500	6,293,000	0	6,293,000	0	6,293,000
General Fund, One-time	88,100	0	0	0	0	0
Transportation Fund	450,000	450,000	0	450,000	0	450,000
Dedicated Credits Revenue	2,049,600	1,745,000	0	1,745,000	63,100	1,808,100
GFR - ISF Overhead	1,272,400	1,272,400	0	1,272,400	0	1,272,400
Beginning Nonlapsing	5,583,900	3,001,500	2,347,400	5,348,900	(3,936,500)	1,412,400
Closing Nonlapsing	(5,348,900)	(737,500)	(674,900)	(1,412,400)	1,412,400	0
Total	\$10,087,600	\$12,024,400	\$1,672,500	\$13,696,900	(\$2,461,000)	\$11,235,900
Programs						
Finance Director's Office	330,200	361,400	(16,000)	345,400	0	345,400
Payroll	1,160,700	1,589,600	431,400	2,021,000	0	2,021,000
Payables/Disbursing	2,093,300	2,131,800	64,300	2,196,100	11,200	2,207,300
Technical Services	1,355,200	1,889,800	42,400	1,932,200	(97,400)	1,834,800
Financial Reporting	1,154,700	1,346,600	24,500	1,371,100	500	1,371,600
Financial Information Systems	3,993,500	4,705,200	1,125,900	5,831,100	(2,375,300)	3,455,800
Total	\$10,087,600	\$12,024,400	\$1,672,500	\$13,696,900	(\$2,461,000)	\$11,235,900
Categories of Expenditure						
Personal Services	5,568,700	6,098,800	4,100	6,102,900	200	6,103,100
In-State Travel	1,300	1,200	1,200	2,400	0	2,400
Out of State Travel	17,900	31,700	1,300	33,000	0	33,000
Current Expense	1,046,600	1,041,200	86,400	1,127,600	12,100	1,139,700
DP Current Expense	1,679,500	4,533,500	(1,812,500)	2,721,000	149,000	2,870,000
DP Capital Outlay	1,768,500	318,000	3,392,000	3,710,000	(2,622,300)	1,087,700
Capital Outlay	5,100	0	0	0	0	0
Total	\$10,087,600	\$12,024,400	\$1,672,500	\$13,696,900	(\$2,461,000)	\$11,235,900
Other Data						
Budgeted FTE	81.0	80.5	(1.0)	79.5	0.0	79.5
Actual FTE	77	0	0	0	0	0

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.