

# Budget Brief – DAS General Services (ISF)

NUMBER CFGO-07-16

## SUMMARY

In 1997 the Legislature reorganized the Department of Administrative Services, merging Central Copying, Central Mail, and Central Stores into the Division of Purchasing. The new division became the Division of Purchasing and General Services. The General Services functions of the division are budgeted as internal service funds. The procurement function that enables other agencies to contract for goods and services is budgeted separately in the appropriated fund section.

The programs in this line item include:

- Administration
- Central Mailing
- Electronic Purchasing
- Print Services

The Administration Program is set up to account for the indirect costs (overhead) in delivering the services of the other three central services programs. All expenditures are passed through to the other programs in proportion to their share of the total division budget.

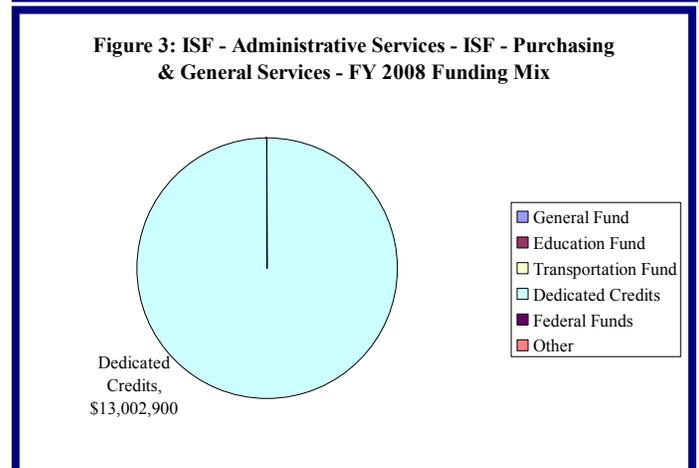
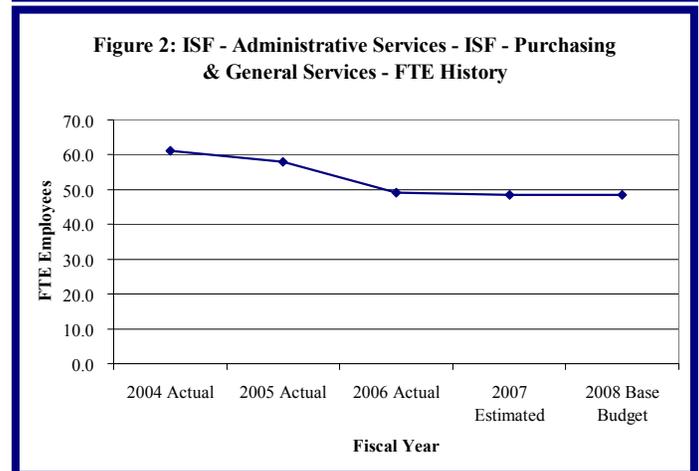
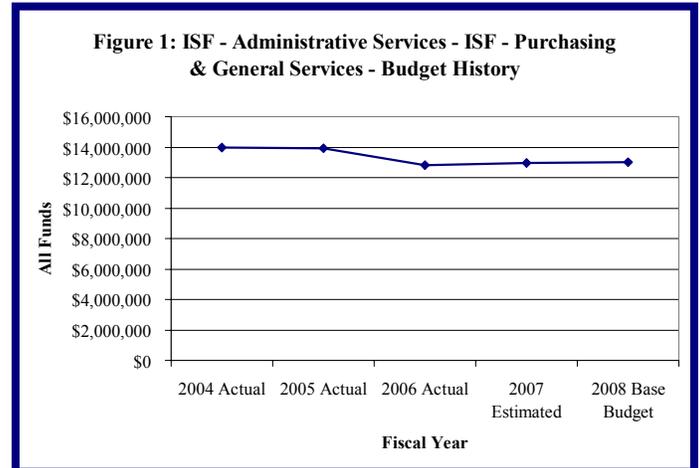
## ISSUES AND RECOMMENDATIONS

### *P-Card Audit*

The Purchasing Card or P-Card is a Visa card designed to supplement or eliminate a variety of processes including petty cash, check writing, low-value authorizations and small dollar purchase orders. A legislative audit conducted in the summer of 2006 concluded that the P-Card is an efficient tool, but lacked sufficient oversight to prevent fraud or abuse. The auditors didn't, however, find evidence of fraud or abuse. The agency agreed with the findings and has hired an employee to oversee P-Card administration.

### *Increase of two FTEs*

The Analyst recommends the Legislature authorize an increase of two FTEs for the Central Mailing program. One vacant FTE was transferred to the Electronic Purchasing program and filled with the administrator mentioned above. The other FTE will help manage increased mail volumes. Most notably, the number of mail stops has increased each year, from 400 in 2003 to 480 in 2006, an increase of 20 percent. The division has been employing temporary staff to handle the increases but has found it difficult to manage and constantly train new temp replacements.



**Print Services Retained Earnings**

In response to legislative concerns, several years ago the division consolidated printing operations and reduced equipment in an effort to reverse losses in retained earnings. However, the division was unable to reduce its debt. In FY 2006 the division contracted with Xerox to operate high speed copying and finishing service centers, though the program is still managed by the division. The following table shows retained earnings since FY 2003:

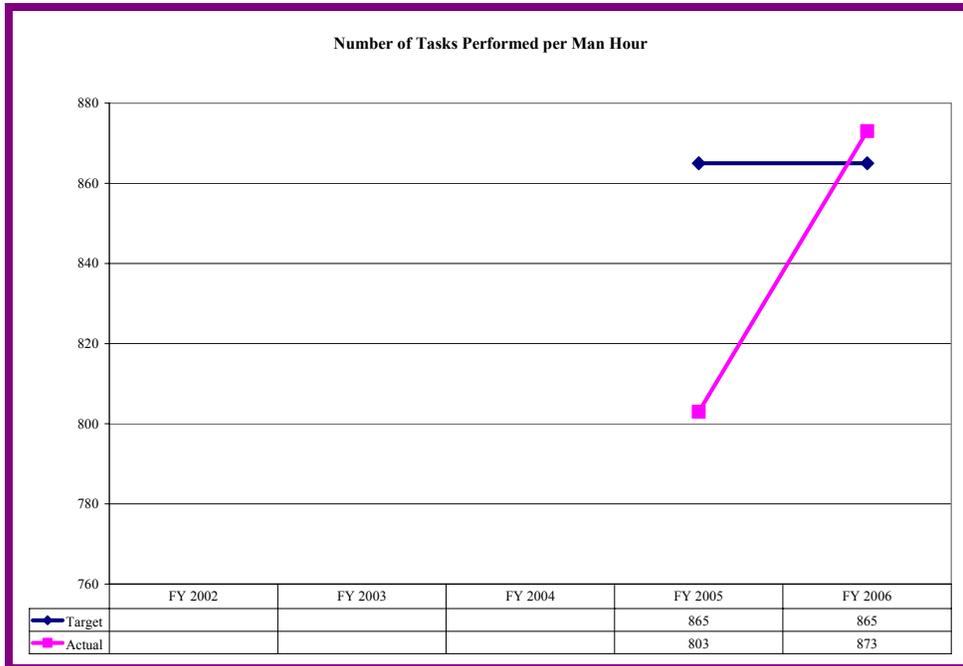
FY 2003	(\$1,067,400)
FY 2004	(\$1,164,600)
FY 2005	(\$1,364,900)
FY 2006	(\$1,286,700)

The program improved slightly in FY 2006 but will need to improve more rapidly in coming months and years if it is to eliminate its negative retained earnings, General Fund debt and deficit working capital within its stated goal of five years. The program’s rates include a \$0.004 per page debt-elimination fee.

**ACCOUNTABILITY DETAIL**

**Central Mailing – Tasks Performed per Man Hour**

State Mail Services is primarily a production environment. Efficiency can be measured by calculating the number of tasks performed per hour.

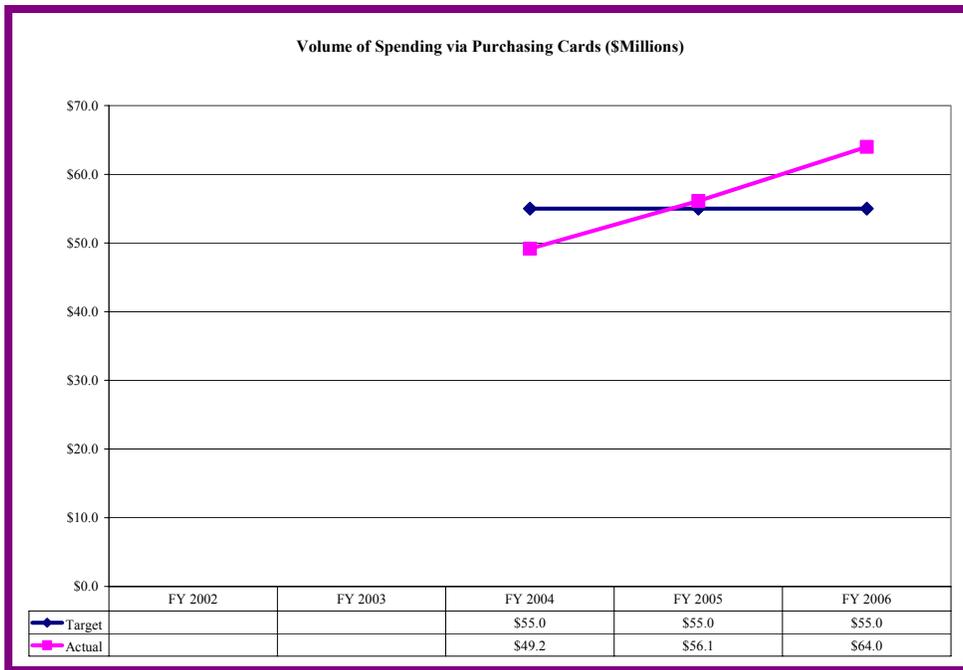


A “task” is each process for which the program has established a rate (e.g. folding, inserting, metering, OCRing, etc). Data are collected through barcodes with billing information. The division has a target of 865 per hour.

**Volume of Spending via Purchasing Cards**

Since use of the P-Card has established itself as the most efficient way to make purchases, the volume of P-Card purchasing is an indicator of statewide efficiency in making small transactions.

In FY 2006, \$10.7 million was processed by state agencies and the balance of \$53.3 million was by higher education or local governments. State agency use of the card is down from \$12 million in FY 2005, mostly because one large agency stopped using it for utility payments. However, this indicates a need to better promote the value of the card to agency personnel. Because the state has negotiated rebates with the card issuer, and transaction costs are low, the state benefits financially by using the card to pay bills.



**BUDGET DETAIL**

Because the Administration program passes all of its expenditures through to the other three programs, its total budget is zero and it doesn't appear in the Budget Detail Table on page 4. Estimated FY 2008 costs are \$373,600.

***Budget Recommendation for FY 2008:***

- Estimated revenues of \$13,002,900
- Rates as presented separately
- Base FTEs of 48.5
- Two additional FTEs for Central Mailing
- Authorized Capital Outlay of \$1,973,400. Funds will be used, if needed, for:
  1. Replacement of miscellaneous mail equipment such as feeders, a burster, sorting tables: \$160,000
  2. Replacement of self-service copiers expected to reach the end of their useful lives: \$1,813,400

**LEGISLATIVE ACTION**

The Analyst recommends the Legislature adopt:

1. Estimated revenues of \$13,002,900 for the General Services ISF in FY 2008
2. Rates as presented separately
3. Base FTEs of 48.5
4. Two additional FTEs for Central Mailing
5. Authorized Capital Outlay of \$1,973,400

**BUDGET DETAIL TABLE****ISF - Administrative Services - ISF - Purchasing & General Services**

Sources of Finance	FY 2006	FY 2007	Changes	FY 2007	Changes	FY 2008*
	Actual	Appropriated		Revised		Base Budget
Dedicated Credits - Intragvt Rev	12,871,400	12,818,600	137,600	12,956,200	46,700	13,002,900
Sale of Fixed Assets	(32,000)	0	0	0	0	0
<b>Total</b>	<b>\$12,839,400</b>	<b>\$12,818,600</b>	<b>\$137,600</b>	<b>\$12,956,200</b>	<b>\$46,700</b>	<b>\$13,002,900</b>
<b>Programs</b>						
ISF - Central Mailing	9,282,000	9,040,900	275,400	9,316,300	(89,000)	9,227,300
ISF - Electronic Purchasing	407,200	380,600	26,600	407,200	0	407,200
ISF - Print Services	3,150,200	3,397,100	(164,400)	3,232,700	135,700	3,368,400
<b>Total</b>	<b>\$12,839,400</b>	<b>\$12,818,600</b>	<b>\$137,600</b>	<b>\$12,956,200</b>	<b>\$46,700</b>	<b>\$13,002,900</b>
<b>Categories of Expenditure</b>						
Personal Services	2,145,500	2,135,600	183,200	2,318,800	7,200	2,326,000
In-State Travel	3,200	5,000	(1,800)	3,200	0	3,200
Out of State Travel	2,600	1,800	800	2,600	0	2,600
Current Expense	8,918,400	8,715,600	267,800	8,983,400	100	8,983,500
DP Current Expense	27,000	25,000	48,500	73,500	0	73,500
Other Charges/Pass Thru	(332,800)	(291,600)	(81,200)	(372,800)	(800)	(373,600)
Depreciation	1,676,500	1,848,700	(95,000)	1,753,700	173,800	1,927,500
<b>Total</b>	<b>\$12,440,400</b>	<b>\$12,440,100</b>	<b>\$322,300</b>	<b>\$12,762,400</b>	<b>\$180,300</b>	<b>\$12,942,700</b>
<b>Other Data</b>						
Budgeted FTE	60.0	49.0	(0.5)	48.5	0.0	48.5
Actual FTE	49.1	0.0	0.0	0.0	0.0	0.0
Authorized Capital Outlay	1,263,000	2,408,400	(250,000)	2,158,400	(185,000)	1,973,400
Retained Earnings	1,449,900	1,826,600	(182,900)	1,643,700	60,200	1,703,900
Vehicles	14	14	0	14	0	14

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