



Budget Brief: DAS Internal Service Fund Summary

SUMMARY

Internal Service Funds (ISF) employ business practices to provide a service or product for other state and governmental agencies. Typical services include motor pools, information technology, mail processing, facility management, or other large functions that can be centrally coordinated. They are set up to take advantage of economies of scale, to avoid duplication of efforts and to provide an accounting mechanism to adequately identify the costs of certain governmental services.

In order to control the size, mission and fees charged to state agencies, the Legislature imposed statutory controls (UCA 63J-1-306) that require ISFs to respond to the legislative budget process. No ISF can bill another agency for its services unless the Legislature has:

- Approved the ISF’s budget request
- Approved the ISF’s rates, fees, and other charges, and included those rates and fees in an appropriations act
- Approved the number of FTE as part of the annual appropriation process
- Appropriated the ISF’s estimated revenue based upon the rates and fee structure

No capital acquisitions can be made by an ISF without legislative approval. No capital assets can be transferred to an ISF without legislative approval.

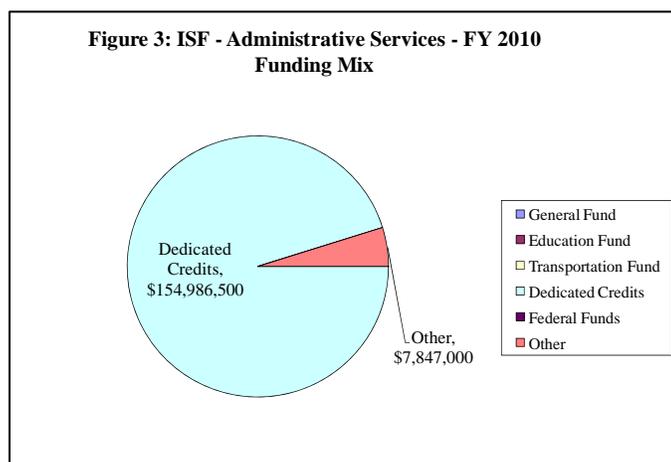
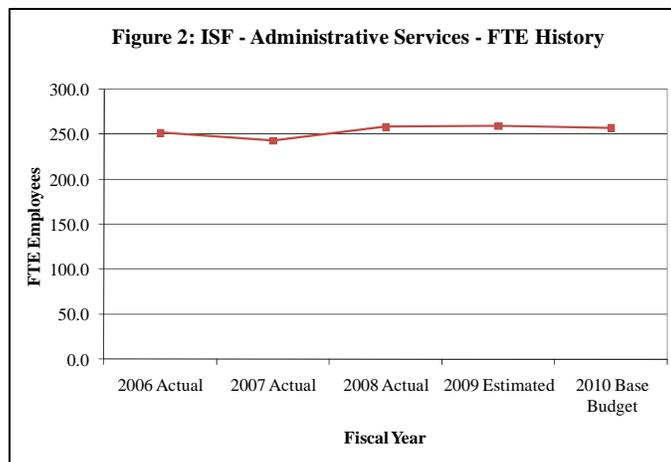
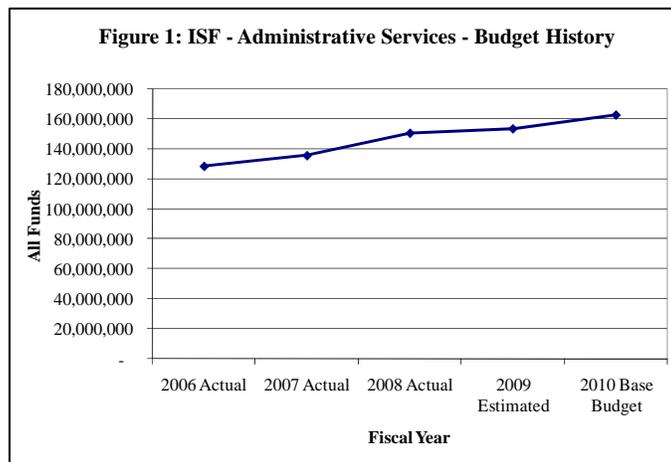
Working capital should come from the following sources in priority order: operating revenues; long-term debt; legislative appropriations.

General Fund borrowing (long-term debt) is authorized as long as the debt is repaid over the useful life of assets and borrowing does not exceed 90 percent of the ISF’s capital assets.

DAS Internal Service Fund Line Items

DAS operates four ISFs that are funded by rates charged to state agencies, higher education, and local governments:

- Purchasing and General Services
- Fleet Operations
- Risk Management
- Facilities Maintenance



ACCOUNTABILITY DETAIL

General Fund Borrowing

General Fund borrowing occurs when an agency needs cash to purchase assets to carry out its business. Examples include photocopiers and vehicles. These assets are depreciated and charged to customer agencies through the ISF's rates. Although the Legislature expresses a preference for capitalizing assets through operating funds, borrowing from the General Fund is allowed as long as the debt is repaid over the useful life of the asset and borrowing does not exceed 90 percent of the ISF's capital assets.

The table below shows General Fund debt carried by the DAS ISFs along with their working capital positions. Working capital increased as did General Fund borrowing from FY 2007 to FY 2008.

General Fund Borrowing by DAS Internal Service Funds					
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
General Services: Printing					
Short Term GF Borrowing	\$1,651,600	\$1,860,200	\$1,669,800	\$1,806,100	\$1,607,300
Long Term GF Borrowing	\$2,279,400	\$2,060,200	\$1,834,700	\$973,200	\$1,053,200
Total GF Borrowing	\$3,931,000	\$3,920,400	\$3,504,500	\$2,779,300	\$2,660,500
Working Capital*	(\$3,849,500)	(\$3,848,700)	(\$3,333,700)	(\$2,869,000)	(\$2,685,500)
90% Value of Fixed Assets	\$3,906,400	\$3,725,300	\$3,332,200	\$2,997,200	\$3,079,100
Amount (Over) Under Limit	\$56,900	(\$123,400)	(\$1,500)	\$128,200	\$393,600
ITS (Absorbed by DTS)					
Short Term GF Borrowing	\$4,291,000	\$0	\$0	\$0	\$0
Long Term GF Borrowing	\$0	\$0	\$0	\$0	\$0
Total GF Borrowing	\$4,291,000	\$0	\$0	\$0	\$0
Working Capital*	(\$154,000)	\$3,714,100	\$6,267,300	\$0	\$0
90% Value of Fixed Assets	\$10,979,200	\$9,040,100	\$10,062,100	\$0	\$0
Amount (Over) Under Limit	\$10,825,200	\$12,754,200	\$16,329,400	\$0	\$0
Fleet Ops: Motor Pool					
Short Term GF Borrowing	\$14,667,500	\$14,212,100	\$12,380,400	\$16,241,300	\$11,324,400
Long Term GF Borrowing	\$13,454,200	\$9,494,900	\$7,755,600	\$2,313,700	\$10,137,500
Total GF Borrowing	\$28,121,700	\$23,707,000	\$20,136,000	\$18,555,000	\$21,461,900
Working Capital*	(\$27,069,800)	(\$23,167,100)	(\$19,785,800)	(\$16,196,700)	(\$19,243,700)
90% Value of Fixed Assets	\$52,985,100	\$49,318,700	\$48,014,000	\$47,195,700	\$51,077,800
Amount (Over) Under Limit	\$25,915,300	\$26,151,600	\$28,228,200	\$30,999,000	\$31,834,100
Fleet Ops: Fuel Network					
Short Term GF Borrowing	\$359,800	\$591,300	\$2,239,800	\$905,300	\$2,099,800
Long Term GF Borrowing	\$4,220,100	\$2,083,300	\$208,300	\$0	\$0
Total GF Borrowing	\$4,579,900	\$2,674,600	\$2,448,100	\$905,300	\$2,099,800
Working Capital*	(\$293,500)	\$360,500	\$2,723,200	\$4,720,000	\$6,551,400
90% Value of Fixed Assets	\$742,300	\$656,100	\$613,400	\$538,000	\$541,600
Amount (Over) Under Limit	\$448,800	\$1,016,600	\$3,336,600	\$5,258,000	\$7,093,000
Risk Management: Insurance					
Short Term GF Borrowing	\$597,800	\$1,558,100	\$1,159,100	\$2,664,200	\$610,700
Long Term GF Borrowing	\$1,643,100	\$85,000	\$2,035,200	\$0	\$0
Total GF Borrowing	\$2,240,900	\$1,643,100	\$3,194,300	\$2,664,200	\$610,700
Working Capital*	\$39,123,500	\$40,450,600	\$41,133,900	\$42,428,400	\$39,545,500
90% Value of Fixed Assets	\$50,200	\$31,600	\$14,400	\$0	\$0
Amount (Over) Under Limit	\$39,173,700	\$40,482,200	\$41,148,300	\$42,428,400	\$39,545,500
Total General Fund Borrowing	\$43,164,500	\$31,945,100	\$29,282,900	\$24,903,800	\$26,832,900

*Working Capital = Current Assets - Current Liabilities - Long Term GF Borrowing

The Analyst suggests that looking at trends in General Fund borrowing and Working Capital helps gauge the fiscal condition of an ISF.

Budget Detail

The predominant source of funds, Dedicated Credits – Intragovernmental Revenue, comes from charges to customer agencies. Premiums are collected by Risk Management for its insurance programs. Restricted revenue comes from Workers Compensation collections made by the Division of Risk Management.

BUDGET DETAIL TABLE

ISF - Administrative Services						
	FY 2008	FY 2009		FY 2009		FY 2010*
Sources of Finance	Actual	Appropriated	Changes	Revised	Changes	Base Budget
Premiums	27,040,000	27,048,600	0	27,048,600	2,294,200	29,342,800
Interest Income	2,650,600	3,611,700	(1,151,700)	2,460,000	(37,000)	2,423,000
Dedicated Credits - Intragvt Rev	112,764,800	104,092,300	12,543,500	116,635,800	6,584,900	123,220,700
Sale of Fixed Assets	132,100	0	0	0	0	0
Restricted Revenue	8,069,600	7,732,000	(259,000)	7,473,000	374,000	7,847,000
Total	\$150,657,100	\$142,484,600	\$11,132,800	\$153,617,400	\$9,216,100	\$162,833,500
Line Items						
ISF - Purchasing & General Services	15,871,200	14,233,000	1,814,700	16,047,700	356,000	16,403,700
ISF - Fleet Operations	71,556,400	63,506,500	9,870,600	73,377,100	4,934,400	78,311,500
ISF - Risk Management	37,759,900	38,392,300	(1,410,700)	36,981,600	2,631,200	39,612,800
ISF - Facilities Management	25,469,600	26,352,800	858,200	27,211,000	1,294,500	28,505,500
Total	\$150,657,100	\$142,484,600	\$11,132,800	\$153,617,400	\$9,216,100	\$162,833,500
Categories of Expenditure						
Personal Services	15,332,200	15,256,800	1,096,700	16,353,500	122,200	16,475,700
Out of State Travel	44,800	58,100	(12,800)	45,300	0	45,300
Current Expense	111,968,100	110,597,200	12,692,100	123,289,300	6,709,500	129,998,800
DP Current Expense	1,315,500	1,339,700	259,900	1,599,600	46,300	1,645,900
DP Capital Outlay	0	0	0	0	(73,800)	(73,800)
Other Charges/Pass Thru	1,010,100	57,800	200,600	258,400	304,400	562,800
Operating Transfers	3,003,100	0	20,100	20,100	(20,100)	0
Depreciation	13,104,700	14,541,200	(1,114,000)	13,427,200	3,208,900	16,636,100
Total	\$145,863,900	\$141,908,100	\$13,169,500	\$155,077,600	\$10,301,100	\$165,378,700
Other Data						
Budgeted FTE	258.5	259.5	0.0	259.5	(2.0)	257.5
Actual FTE	233.6	0.0	0.0	0.0	0.0	0.0
Authorized Capital Outlay	21,735,200	17,843,800	4,121,900	21,965,700	(1,038,700)	20,927,000
Retained Earnings	24,219,600	16,716,900	4,042,500	20,759,400	(2,545,400)	18,214,000
Vehicles	142.0	140.0	(18.0)	122.0	0.0	122.0

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