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-1-410, 411 and 504) 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:

1. Purchasing and General Services
2. Fleet Operations
3. Risk Management
4. Facilities Maintenance

**RECOMMENDATIONS**

The Analyst recommends that the Subcommittee approve the FY 2011 Base Funding as the beginning point for subsequent budget adjustments throughout the rest of the 2010 General Session. This recommendation includes approval of the respective Budgeted FTE and Authorized Capital Outlay as stipulated in S.B. 1, “State Agency and Higher Education Base Budget” and as listed in the following table.
### DAS ISFs BUDGET DETAIL

#### ISF - Administrative Services

<table>
<thead>
<tr>
<th>Sources of Finance</th>
<th>FY 2009</th>
<th>FY 2010</th>
<th>FY 2010</th>
<th>FY 2011*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums</td>
<td>24,558,000</td>
<td>29,342,800</td>
<td>2,200,000</td>
<td>28,542,800</td>
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<tr>
<td>Interest Income</td>
<td>1,492,000</td>
<td>2,423,000</td>
<td>0</td>
<td>2,423,000</td>
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<tr>
<td>Dedicated Credits - Intragvt Rev</td>
<td>104,376,000</td>
<td>123,220,700</td>
<td>(16,581,200)</td>
<td>106,639,500</td>
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<tr>
<td>Sale of Fixed Assets</td>
<td>8,480,500</td>
<td>7,847,000</td>
<td>0</td>
<td>7,847,000</td>
</tr>
<tr>
<td>Total</td>
<td>138,714,700</td>
<td>162,833,500</td>
<td>(14,381,200)</td>
<td>148,452,300</td>
</tr>
</tbody>
</table>

#### Line Items

- **ISF - Purchasing & General Services**: 16,522,000
- **ISF - Fleet Operations**: 61,106,300
- **ISF - Risk Management**: 34,530,300
- **ISF - Facilities Management**: 26,556,100

Total: 138,714,700

#### Categories of Expenditure

- **Personnel Services**: 16,117,800
- **In-state Travel**: 59,600
- **Out-of-state Travel**: 29,500
- **Current Expense**: 109,804,700
- **DP Current Expense**: 1,265,100
- **DP Capital Outlay**: 0
- **Other Charges/Pass Thru**: 1,235,000
- **Operating Transfers**: 6,190,600
- **Depreciation**: 11,857,200

Total: 146,559,500

#### Other Data

- **Budgeted FTE**: 259.9
- **Authorized Capital Outlay**: 13,416,800
- **Retained Earnings**: 16,374,700
- **Vehicles**: 112.0

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