

OFFICE OF THE
LEGISLATIVE
FISCAL
ANALYST

JONATHAN C. BALL
DIRECTOR

MEMORANDUM FOR EXECUTIVE APPROPRIATIONS COMMITTEE

FROM: Brian Wikle, Analyst
DATE: July 5, 2016
SUBJECT: Internal Service Funds Overview and Impacts

An Internal Service Fund (ISF) is a state entity that provides goods or services to other government agencies on a cost-reimbursement basis. ISFs employ business practices to take advantage of economies of scale, to avoid duplication of effort, and to provide an accounting mechanism to identify costs of certain governmental services. There are two primary advantages to using internal service funds within government. First, ISFs charge customer agencies at rates set by the Legislature, and the price mechanism incentivizes customer agencies to find efficiencies in order to reduce expenses for ISF services so that operational budgets can be utilized elsewhere. Second, agencies can use federal and restricted funds to pay for ISF services rather than relying solely on General Fund appropriations.

The 2016 Legislature authorized the FY 2017 rates and fees as recommended by the ISF agencies. The Legislature appropriated funds to state agencies to cover the impacts of creation of expanded services by the ISF for the Department of Human Resource Management. The Legislature did not appropriate additional funding for other projected impacts for the other ISFs operated by the Departments of Administrative Services and Technology Services.

During the meeting we will review these actions and potential alternatives.

UTAH STATE CAPITOL COMPLEX
HOUSE BUILDING, SUITE W310
P.O. BOX 145310
SALT LAKE CITY, UTAH

PHONE: (801) 538-1034
FAX: (801) 538-1692

WEBSITE:
WWW.LE.UTAH.GOV/LFA

