

Office of the
Legislative Fiscal Analyst

FY 2001 Budget Recommendations

Joint Appropriations Subcommittee for
Capital Facilities and Administrative Services

Utah Department of Administrative Services
Internal Service Funds – Purchasing and General Services

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1.0 Summary: Division of Purchasing and General Services

During the 1997 General Session, Senate Bill 249 reorganized the Department of Administrative Services. The Division of Purchasing was changed to the Division of Purchasing and General Services. Utah Code (63A-2-103) directs the Division of Purchasing and General Services to operate and maintain a central mailing service and a central store. As allowed by the law, the director has also established a central publishing service and a separate administration program.

	Analyst FY 2001 Base	Analyst FY 2001 Changes	Analyst FY 2001 Total
Financing			
Dedicated Credits	\$13,783,400		\$13,783,400
Transfers	\$58,200	(\$63,000)	(\$4,800)
Total	<u>\$13,841,600</u>	<u>(\$63,000)</u>	<u>\$13,778,600</u>
Programs			
ISF - General Services Administration	\$292,300		\$292,300
ISF - Central Mailing	\$6,892,600		\$6,892,600
ISF - Electronic Purchasing	\$212,900		\$212,900
ISF - Publishing	\$5,470,900		\$5,470,900
Total	<u>\$12,868,700</u>	<u>\$0</u>	<u>\$12,868,700</u>
FTE	61.1		61.1
Authorized Capital Outlay	\$1,583,000	\$120,000	\$1,703,000
Retained Earnings	\$253,300	(\$63,000)	\$190,300

2.0 Issues

2.1 Mailing Automation Equipment

Central Mailing purchased automation equipment in Fiscal Year 1999 that promised to reduce personnel costs. So far, personnel costs have actually risen within the Central Mail program. Further information on this topic can be found in Section 3.2.

3.0 Programs: Internal Service Funds – Purchasing

3.1 Administration

Recommendation

The Analyst is recommending the agency request.

	FY 1999	FY 2000	FY 2001	Est/Analyst
	Actual	Estimated	Analyst	Difference
Financing				
Dedicated Credits	\$259,000	\$299,800	\$292,300	(\$7,500)
Total	<u>\$259,000</u>	<u>\$299,800</u>	<u>\$292,300</u>	<u>(\$7,500)</u>
Expenditures				
Personal Services	\$145,000	\$191,900	\$190,700	(\$1,200)
In-State Travel	100			
Out of State Travel		1,800	1,800	
Current Expenses	45,500	33,400	33,400	
DP Current Expenses	58,300		61,300	61,300
Depreciation	10,100		5,100	5,100
Total	<u>\$259,000</u>	<u>\$227,100</u>	<u>\$292,300</u>	<u>\$65,200</u>
Net Operating Income	<u>\$0</u>	<u>\$72,700</u>	<u>\$0</u>	<u>(\$72,700)</u>
FTE	1.3	3.0	1.3	(1.7)
Authorized Capital Outlay			\$0	\$0
Retained Earnings	\$12,700	\$72,700	\$12,700	(\$60,000)

Purpose

The administration program is set up to account for indirect costs in delivering the services of the other three central services programs. The functions of divisional management, budgeting, accounting, and clerical support are budgeted within this program. The programs are billed in the same proportion that their budgets bear to the total division budget. The administrative costs for FY 2001 represent approximately 2.1 percent of the total estimated revenues for FY 2001.

Authorized Capital Outlay

The Administration program is not requesting an authorization for capital outlay this year.

3.2 Central Mailing

Recommendation

The Analyst is recommending the agency request.

	FY 1999 Actual	FY 2000 Estimated	FY 2001 Analyst	Est/Analyst Difference
Financing				
Dedicated Credits	\$6,401,200	\$7,149,200	\$7,452,800	\$303,600
Transfers			58,200	58,200
Total	\$6,401,200	\$7,149,200	\$7,511,000	\$361,800
Expenditures				
Personal Services	\$1,007,100	\$1,045,100	\$1,049,000	\$3,900
In-State Travel	500	2,000	1,400	(600)
Out of State Travel	1,100	3,700	3,700	
Current Expenses	5,671,100	5,776,100	5,779,100	3,000
Depreciation	34,600	35,100	59,400	24,300
Total	\$6,714,400	\$6,862,000	\$6,892,600	\$30,600
Net Operating Income	(\$313,200)	\$287,200	\$618,400	\$331,200
FTE	32.0	32.0	32.0	
Authorized Capital Outlay	\$309,100	\$120,000	\$120,000	\$0
Retained Earnings	(\$392,200)	(\$105,000)	\$451,000	\$556,000

Purpose

State Mail provides mail services for agencies throughout the State. These services include inserting, folding, metering, tabbing, bar coding, and other postal services. The Tax Commission and Department of Human Services mail operations were consolidated with State Mail in FY 1995, creating one of the most centralized state mail operations in the nation. The automation of mail functions in a centralized facility reduces the time that agencies spend on these functions and increases the overall efficiency.

State Mail Services is established to provide services in a way that minimizes costs to state agencies. Bar coding and presorting of mail allows agencies to receive maximum postal discounts. Postal discounts obtained through mail automation and consolidation are reflected in reduced rates. Mail Services also provides agencies with an effective way to process their outgoing mail stream. Collation, bursting, sorting, and inserting are all automated functions that were often performed by hand or outsourced at a much higher rate.

Automated Mailing Equipment

Central Mail purchased new equipment in FY 1999 that promised to provide significant labor savings. So far, those savings have not appeared. The equipment is used for automated sorting, but it needs mail that is properly formatted to make it functional. Central Mail must rely on agencies to properly format addresses and add bar codes so that equipment use can be maximized. Agencies have been reluctant to devote programming specialists to this problem because it would take time away from Y2K preparations. Now that Y2K problems are corrected, Central Mail can begin to work with agencies to ensure that automation is used in the most effective way possible.

Authorized Capital Outlay The Analyst recommends authorization of \$130,000 in capital outlay for FY 2001 to purchase an in-line folder/inserter and an electronic tracking system.

3.3 Copy and Publishing Services

Recommendation The Analyst is recommending the agency request.

	FY 1999 Actual	FY 2000 Estimated	FY 2001 Analyst	Est/Analyst Difference
Financing				
Dedicated Credits	\$4,705,200	\$5,277,200	\$5,747,900	\$470,700
Transfers			(161,800)	(161,800)
Total	<u>\$4,705,200</u>	<u>\$5,277,200</u>	<u>\$5,586,100</u>	<u>\$308,900</u>
Expenditures				
Personal Services	\$815,900	\$912,200	\$903,400	(\$8,800)
In-State Travel	3,600	2,800	2,800	
Out of State Travel	2,100	3,300	3,300	
Current Expenses	2,962,000	3,109,500	3,363,000	253,500
DP Current Expenses	1,600	1,600	1,600	
Depreciation	1,028,700	1,176,700	1,196,800	20,100
Total	<u>\$4,813,900</u>	<u>\$5,206,100</u>	<u>\$5,470,900</u>	<u>\$264,800</u>
Net Operating Income	<u>(\$108,700)</u>	<u>\$71,100</u>	<u>\$115,200</u>	<u>\$44,100</u>
FTE	21.5	23.0	22.5	(0.5)
Authorized Capital Outlay	\$1,575,400	\$1,664,500	\$1,583,000	(\$81,500)
Retained Earnings	(\$430,900)	(\$359,800)	(\$82,800)	\$277,000

Purpose Copy & Publishing Services operates a self-service copier program, several service centers, and the UDOT print shop. Service Centers are located at the Capitol, the Cannon Health Building, the Tax Commission, the Department of Natural Resources, the Wells Building, the Rampton Complex (UDOT), the Provo Regional Center and the Ogden Regional Center.

Authorized Capital Outlay Last year, the Publishing program wanted to establish a contingency fund for “unforeseen copier replacement.” The Analyst continues to see this as an unnecessary additional cost to the State, and has not included the request in this year’s recommendation. The Analyst capital outlay recommendation for FY 2001 totals \$1,583,000, divided into replacement and new copier needs.

Copier Purchases	
Replacements	\$ 627,000
New Equipment	\$ 956,000
Recommended Outlay	<u>\$ 1,583,000</u>

3.4 Central Stores/Electronic Purchasing

Prior to October 1997, Central Stores was the State's outlet for office and specialty supplies. Supplies were furnished at an average markup of 22 percent rather than the 30-40 percent charged by wholesale/retail operations. Beginning October 1, 1997, Central Stores became a stockless, vendor direct operation. Instead of warehousing supplies purchased in bulk, the program use a private sector vendor to make direct deliveries and invoicing to state agencies and institutions.

	FY 1999	FY 2000	FY 2001	Est/Analyst
	Actual	Estimated	Analyst	Difference
Financing				
Dedicated Credits	\$178,500	\$290,400	\$290,400	
Transfers			98,800	98,800
Total	<u>\$178,500</u>	<u>\$290,400</u>	<u>\$389,200</u>	<u>\$98,800</u>
Expenditures				
Personal Services	\$138,400	\$92,100	\$91,600	(\$500)
In-State Travel	700	700	700	
Out of State Travel	600	600	600	
Current Expenses	104,600	133,700	120,000	(13,700)
Total	<u>\$244,300</u>	<u>\$227,100</u>	<u>\$212,900</u>	<u>(\$14,200)</u>
Net Operating Income	<u>(\$65,800)</u>	<u>\$63,300</u>	<u>\$176,300</u>	<u>\$113,000</u>
FTE	5.3	4.0	5.3	1.3
Retained Earnings	(\$331,400)	(\$268,100)	(\$190,600)	\$77,500
			\$0	\$0

For FY 1999, Central Stores proposed a new state procurement card program to cut red tape associated with acquisition of small items, and a computer store to consolidate state personal computer purchases. The agency requested 2.25 FTE to administer the programs. As of January 1999, the procurement card program has been implemented and the computer store has not. No new FTE have been added or are expected in FY 2001.

*Authorized Capital
Outlay*

The Division is not requesting authorization to make capital purchases for this program.

4.0 Additional Information: General Services

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
	Actual	Actual	Actual	Estimated	Analyst
Financing					
Dedicated Credits	\$14,413,967	\$11,995,141	\$11,543,900	\$13,016,600	\$13,783,400
Transfers					(4,800)
Total	<u>\$14,413,967</u>	<u>\$11,995,141</u>	<u>\$11,543,900</u>	<u>\$13,016,600</u>	<u>\$13,778,600</u>
% Change		-16.8%	-3.8%	12.8%	5.9%
Programs					
ISF - General Services Administration	\$637,600	\$222,300	\$259,000	\$227,100	\$292,300
ISF - Central Mailing	6,186,900	6,287,300	6,714,400	6,862,000	6,892,600
ISF - Electronic Purchasing	3,922,700	1,455,300	244,300	227,100	212,900
ISF - Publishing	3,857,300	4,392,100	4,813,900	5,206,100	5,470,900
Total	<u>\$14,604,500</u>	<u>\$12,357,000</u>	<u>\$12,031,600</u>	<u>\$12,522,300</u>	<u>\$12,868,700</u>
Expenditures					
Personal Services	\$2,128,600	\$1,907,900	\$2,106,400	\$2,241,300	\$2,234,700
In-State Travel	2,500	2,000	4,900	5,500	4,900
Out of State Travel	5,600	2,700	3,800	9,400	9,400
Current Expenses	11,561,800	9,383,300	8,783,200	9,052,700	9,295,500
DP Current Expenses	115,000	53,400	59,900	1,600	62,900
Depreciation	791,000	1,007,700	1,073,400	1,211,800	1,261,300
Total	<u>\$14,604,500</u>	<u>\$12,357,000</u>	<u>\$12,031,600</u>	<u>\$12,522,300</u>	<u>\$12,868,700</u>
Net Operating Income	<u>(\$190,533)</u>	<u>(\$361,859)</u>	<u>(\$487,700)</u>	<u>\$494,300</u>	<u>\$909,900</u>
FTE	64.0	57.8	60.0	62.0	61.1
Authorized Capital Outlay	\$1,285,300	\$1,546,200	\$1,884,500	\$1,784,500	\$1,703,000
Retained Earnings	(\$300,900)	(\$652,200)	(\$1,141,800)	(\$660,200)	\$190,300