

Office of the
Legislative Fiscal Analyst

FY 2002 Budget Recommendations

Joint Appropriations Subcommittee for
Health and Human Services

Utah Department of Human Services
Internal Service Funds

Contents:

- 1.0 Summary
- 2.0 Issues
- 3.0 Programs
- 4.0 Additional Information

1.0 Summary: Department of Human Services Internal Service Funds

The Department of Human Services operates two internal service funds (ISF) that provide shared services to the divisions and bureaus of the Department. These include General Services and Data Processing. General Services collects funds from department divisions for building maintenance and rent for the Department’s main office in Salt Lake City. Data Processing provides programming services for the Department.

Financial Summary

The following table summarizes the recommended operating levels for the two funds combined, along with recommended staffing level and capital expenditures for FY 2002. The Analyst recommends an FY 2002 appropriation of \$4,177,900 from collection of dedicated credits / intergovernmental revenues. This is expected to generate a net operating income of \$67,500. Accumulated retained earnings for both funds combined are expected reach \$465,500 by the end of FY2002.

	Analyst FY 2002 Base	Analyst FY 2002 Changes	Analyst FY 2002 Total
Financing			
Dedicated Credits-Intragov'tal Revenue	4,177,900		4,177,900
Total	<u>4,177,900</u>	\$0	<u>4,177,900</u>
Programs			
ISF - DHS General Services	1,500,900		1,500,900
ISF - DHS Data Processing	2,677,000		2,677,000
Total	<u>4,177,900</u>	\$0	<u>4,177,900</u>
FTE/Other			
Total FTE	36		36
Authorized Capital Outlay			
Retained Earnings	465,500		465,500
Vehicles	1		1

3.0 Programs: Internal Service Funds

Internal Service Fund General Information

Internal Service Funds operate similarly to private, non-profit service providers. Over time, income and expense should balance out and the accumulated “retained earnings” should be near zero. One of the basic purposes for internal service funds is to more efficiently allocate scarce resources. If users of these services have to pay for them, they will use those services more prudently. Also, it provides a mechanism to compare the cost and efficiencies of these services with competing private service providers, where available.

Utah Code, Section 63-38-3.5 places the following Legislative controls on the operation of Internal Service Funds:

1. All Internal Service Fund budgets must be approved by the Legislature.
2. The number of full time equivalent (FTE) positions must be approved for each Internal Service Fund.
3. The Legislature must approve all capital acquisitions made by an Internal Service Fund.
4. No capital assets can be transferred to an Internal Service Fund without Legislative approval.
5. Rate structures must be approved by the Legislature.
6. Working capital must be acquired in the following order: First from operating revenues, second from long-term debt, and last from appropriation.
7. Borrowing from the General Fund (long term debt) is allowed as long as:
 - a. The debt is repaid over the useful life of the asset,
 - b. Borrowing does not exceed 60 percent of the value of the asset.

3.1 General Service Internal Service Fund

Recommendation

The Fiscal Analyst recommends an appropriation of \$1,500,900 from collection of dedicated credits / intergovernmental revenues for FY 2002. An operating profit of \$49,400 is projected for FY 2002, compared to an expected profit of \$30,000 in the current year. The Analyst’s recommendations include three authorized FTE employees. No capital acquisitions are planned for FY2001.

	2000	2001	2002	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Dedicated Credits - Intragovernmenta	1,492,927	1,481,500	1,500,900	19,400
Sale of Fixed Assets	(1,382)			
Total	\$1,491,545	\$1,481,500	\$1,500,900	\$19,400
Expenditures				
Personal Services	34,747	75,600	75,600	
Current Expense	1,299,881	1,366,200	1,366,200	
DP Current Expense	8,494	1,700	1,700	
Other Charges/Pass Thru	4,236	8,000	8,000	
Total	\$1,347,358	\$1,451,500	\$1,451,500	\$0
Net Operating Income	\$144,187	\$30,000	\$49,400	\$19,400
FTE/Other				
Total FTE	2	3	3	
Retained Earnings	343,459	373,500	422,900	49,400
Vehicles		1	1	

Purpose

The General Services ISF collects funds from the Department’s divisions for building maintenance and rent for the main office building in Salt Lake City. In FY 2000, the photocopy and supply services were discontinued. In FY 2001, it discontinued the warehouse portion of its operation.

The Division of Facilities, Construction and Management (DFCM) provides operation and maintenance services for the building and charges a per square foot rate. In FY 2000, the ISF received a “refund” from DFCM of \$130,000 due to accumulated excess charges. Also, in FY 2000, the Department divested itself of the Stores and Copier services resulting in a one-time “profit” of \$178,900. This increased the FY 2000 ending retained earnings amount to \$343,459. The Department plans to use the “refund” for needed improvements and maintenance of the facility. Accumulated retained earnings is expected reach \$422,900 (before expenditure of the DFCM refund) by the end of FY2002. This level of retained earnings raises some concern. In the long run retained earnings should approach zero. The Department plans certain repairs and improvements in the building instead of reducing rates.

General Services ISF Rates

The charges per square foot of space in the main building in Salt Lake City will not change from FY 2001 to FY 2002 as shown in the following table.

General Services: Rate Proposal			
	FY 2001	FY 2002	Difference FY 01-02
Admin Building Per Square Foot	\$13.44	\$13.44	n/c
<i>(Note: The Warehouse rates were discontinued in FY 2001)</i>			

3.2 Data Process Internal Service Funds

Recommendation

The Analyst recommends an appropriation of \$2,677,000 from collection of dedicated credits / intergovernmental revenues for FY 2002. An operating profit of \$18,100 is expected for FY 2002, compared to a net income of \$160,200 in FY 2000 and expected operating loss of \$84,900 in FY 2001. The recommendation includes a total staff of 33.0 FTEs. No capital acquisitions are planned for FY 2002.

	2000 Actual	2001 Estimated	2002 Analyst	Est/Analyst Difference
Financing				
Dedicated Credits - Intragovernmenta	2,517,001	2,574,000	2,677,000	103,000
Total	<u>\$2,517,001</u>	<u>\$2,574,000</u>	<u>\$2,677,000</u>	<u>\$103,000</u>
Expenditures				
Personal Services	2,163,259	2,444,500	2,444,500	
In-State Travel	12,556	9,200	9,200	
Current Expense	68,073	54,400	54,400	
DP Current Expense	99,994	128,000	128,000	
Other Charges/Pass Thru	12,950	22,800	22,800	
Total	<u>\$2,356,832</u>	<u>\$2,658,900</u>	<u>\$2,658,900</u>	<u>\$0</u>
Net Operating Income	<u>\$160,169</u>	<u>(\$84,900)</u>	<u>\$18,100</u>	<u>\$103,000</u>
FTE/Other				
Total FTE	33	33	33	
Retained Earnings	109,317	24,500	42,600	18,100

Purpose

The Data Processing Internal Service Fund provides programming services to various divisions and agencies in the department. Ending retained earnings for FY 2000 was \$109,317. With an operating loss predicted for FY 2001 and a small profit budgeted for next fiscal year, the accumulated retained earnings should drop to \$42,600 by the end of FY 2002.

Data Process Rates

The Department requests an increase in the rate for programming services from \$50 to \$52 per hour for FY 2002 as shown in the following table.

Data Processing: Rate Proposal			
	FY 2001	FY 2002	Difference
			FY 01-02
Programmers (per hour)	\$50.00	\$52.00	\$2.00

4.0 Additional Information: Internal Service Funds**4.1 Funding History**

	1998	1999	2000	2001	2002
Financing	Actual	Actual	Actual	Estimated	Analyst
Dedicated Credits - Intragovernmental	3,547,075	3,911,139	4,009,928	4,055,500	4,177,900
Sale of Fixed Assets			(1,382)		
Total	\$3,547,075	\$3,911,139	\$4,008,546	\$4,055,500	\$4,177,900
Programs					
ISF - DHS General Services	1,404,746	1,468,988	1,491,545	1,481,500	1,500,900
ISF - DHS Field Services	486,945				
ISF - DHS Data Processing	1,655,384	2,442,151	2,517,001	2,574,000	2,677,000
Total	\$3,547,075	\$3,911,139	\$4,008,546	\$4,055,500	\$4,177,900
Expenditures					
Personal Services	1,575,696	2,074,086	2,198,006	2,520,100	2,520,100
In-State Travel	9,802	9,033	12,556	9,200	9,200
Current Expense	1,772,958	1,482,572	1,367,954	1,420,600	1,420,600
DP Current Expense	141,886	133,852	108,488	129,700	129,700
Other Charges/Pass Thru	37,400	24,071	17,186	30,800	30,800
Depreciation	25,858	10,705			
Total	\$3,563,600	\$3,734,319	\$3,704,190	\$4,110,400	\$4,110,400
Net Operating Income	(\$16,525)	\$176,820	\$304,356	(\$54,900)	\$67,500
FTE/Other					
Total FTE	33	33	35	36	36
Authorized Capital Outlay	8,425				
Retained Earnings	(27,216)	149,604	452,776	398,000	465,500
Vehicles				1	1