

# DAS DIVISION OF PURCHASING

INFRASTRUCTURE AND GENERAL GOVERNMENT APPROPRIATIONS SUBCOMMITTEE

BUDGET BRIEF

## SUMMARY

For the Division of Purchasing, the Analyst recommends a FY 2013 budget of \$761,100. The Analyst further recommends a re-allocation of \$300,000 ongoing General Fund to other subcommittee priorities and the transition of this program to an internal service fund. These recommendations are detailed below, as well as in the funding table on page 2.

## BACKGROUND

In 1997 the Legislature reorganized the Department of Administrative Services, merging Central Copying, Central Mail, and Central Stores into the Division of Purchasing and General Services. The procurement function that enables other agencies to contract for goods and services is currently an appropriated function. Other programs operate as Internal Service Funds and are budgeted separately.

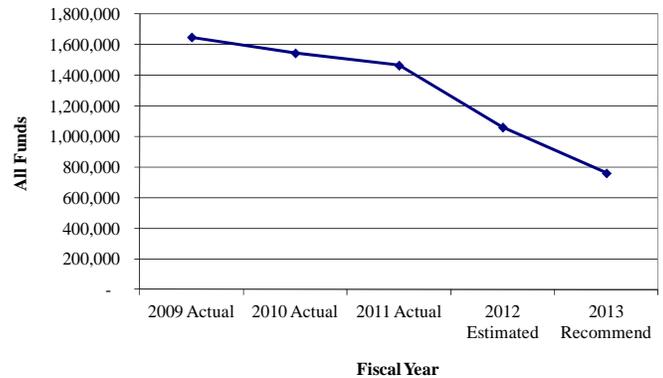
The division provides a centralized purchasing function for all state agencies. The Purchasing Program manages over 750 statewide contracts that are used by state agencies, education, and local governments, and oversees more than 2,000 agency contracts and more than 1,500 procurement processes per year. The value of these contracts and procurements exceeds a billion dollars annually.

## ISSUES AND RECOMMENDATIONS

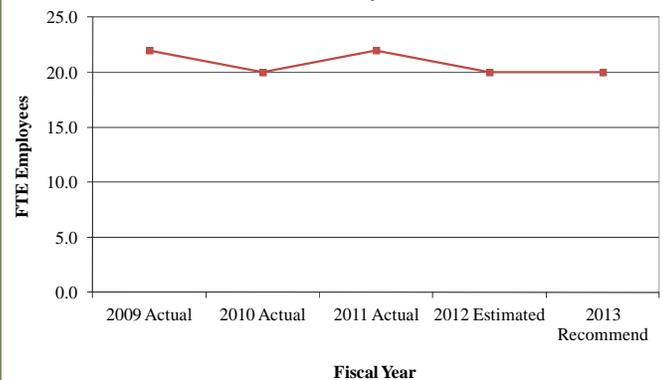
### *Transition to an Internal Service Fund*

During the budget reductions of the last several years the Department of Administrative Services has explored options to reduce General Fund appropriation volatility by transitioning operations to internal service funds (ISF). H.B. 402, *Department of Administrative Services Modifications* (2010 G.S.) allows the department to operate any of its divisions as an ISF agency. An ISF charges rates for services provided. Last year during the 2011 General Session, the Division of Purchasing began moving its operations to the

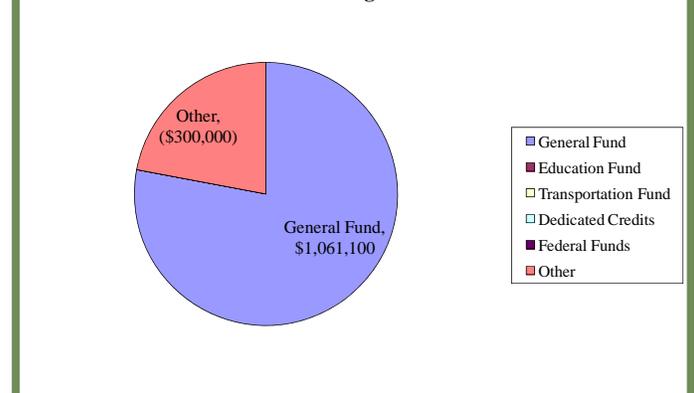
**Figure 1: Administrative Services - Purchasing - Budget History**



**Figure 2: Administrative Services - Purchasing - FTE History**



**Figure 3: Administrative Services - Purchasing - FY 2013 Funding Mix**



General Services ISF by charging an overhead fee on purchasing contracts negotiated by the division. The Division reduced \$300,000 of General Fund last year (FY 2012) and proposes another \$300,000 reduction this year (FY 2013). The Analyst supports this reduction and recommends the Legislature approve the transition of FTE from this line item to the Purchasing program within the General Service internal service fund. The Analyst further recommends no non-lapsing authority for this line item in anticipation of further General Fund reductions.

**ACCOUNTABILITY DETAIL**

Purchasing manages cooperative contracts that are utilized by state agencies, institutions of higher education, school districts, and local governments. Usage of the contracts is mandatory for state agencies, but voluntary for political subdivisions. Thus political subdivision usage of the contracts is a barometer of whether the contracts provide best value. The large number of non-state entities using state contracts allowed the Division to transition to an ISF without impacting state agencies. The new internal service fund will operate by charging non-state entities an overhead rate on contracts.

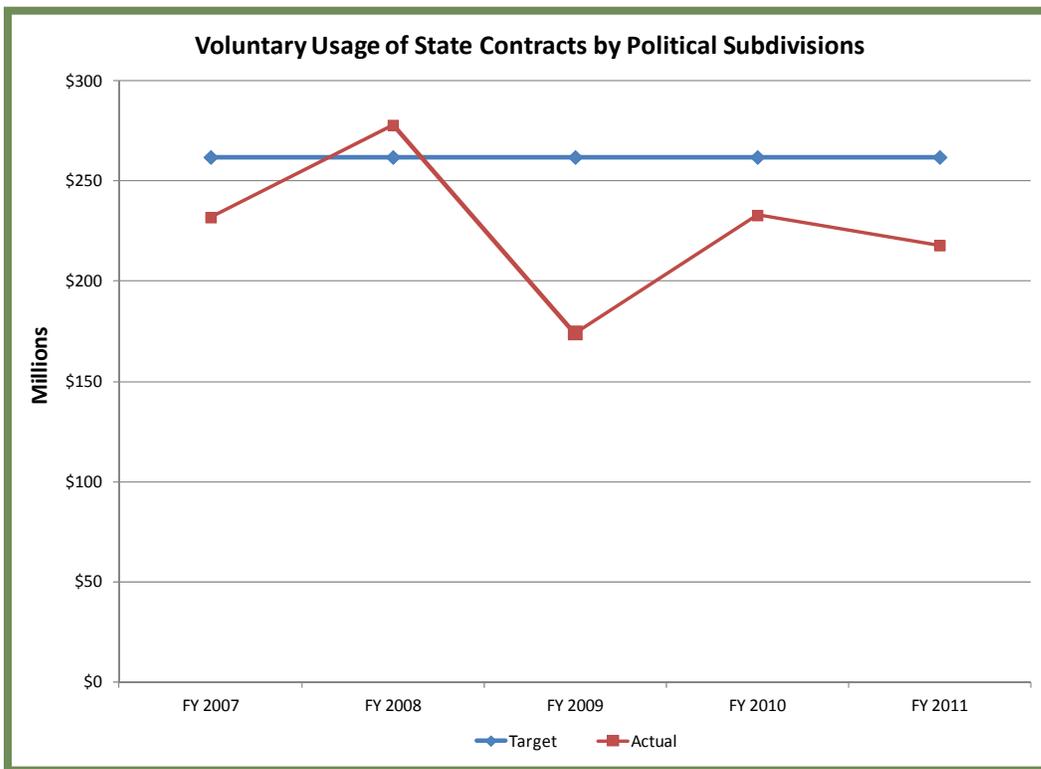


Figure 4

**BUDGET DETAIL**

Dedicated Credits in this program were generated by contract management cost reimbursements. The division participates in and manages several multi-state contracts for the Western States Contracting Alliance (WSCA) – a contracting alliance of fifteen western states. Utah has the lead on data communications, small package delivery, and other types of contracts. As the Division transitions to an internal service fund, the dedicated credits will be collected by the ISF to support operations and this line item will reduce General Fund expenditures proportionally as operations transition.

**LEGISLATIVE ACTION**

The Analyst recommends the Legislature consider adopting:

1. A total base appropriation of \$761,100 for the Division.
2. Reallocating \$300,000 ongoing General Fund in FY 2013 to other Subcommittee priorities.
3. No non-lapsing authority in FY 2012

**BUDGET DETAIL TABLE**

<b>Administrative Services - Purchasing</b>						
	<b>FY 2011</b>	<b>FY 2012</b>		<b>FY 2012</b>		<b>FY 2013*</b>
<b>Sources of Finance</b>	<b>Actual</b>	<b>Appropriated</b>	<b>Changes</b>	<b>Revised</b>	<b>Changes</b>	<b>Recommended</b>
General Fund	1,370,200	1,061,100	0	1,061,100	0	1,061,100
Dedicated Credits Revenue	85,800	203,500	(203,500)	0	0	0
Beginning Nonlapsing	9,200	0	0	0	0	0
Closing Nonlapsing	0	0	0	0	(300,000)	(300,000)
<b>Total</b>	<b>\$1,465,200</b>	<b>\$1,264,600</b>	<b>(\$203,500)</b>	<b>\$1,061,100</b>	<b>(\$300,000)</b>	<b>\$761,100</b>
<b>Programs</b>						
Purchasing and General Services	1,465,200	1,264,600	(203,500)	1,061,100	(300,000)	761,100
<b>Total</b>	<b>\$1,465,200</b>	<b>\$1,264,600</b>	<b>(\$203,500)</b>	<b>\$1,061,100</b>	<b>(\$300,000)</b>	<b>\$761,100</b>
<b>Categories of Expenditure</b>						
Personnel Services	1,333,000	1,159,000	(243,000)	916,000	(317,900)	598,100
In-state Travel	3,900	800	3,100	3,900	0	3,900
Out-of-state Travel	1,600	900	700	1,600	0	1,600
Current Expense	63,800	46,800	16,700	63,500	11,500	75,000
DP Current Expense	51,600	57,100	19,000	76,100	6,400	82,500
Other Charges/Pass Thru	11,300	0	0	0	0	0
<b>Total</b>	<b>\$1,465,200</b>	<b>\$1,264,600</b>	<b>(\$203,500)</b>	<b>\$1,061,100</b>	<b>(\$300,000)</b>	<b>\$761,100</b>
<b>Other Data</b>						
Budgeted FTE	22.0	20.0	0.0	20.0	0.0	20.0
Actual FTE	16.9	0.0	0.0	0.0	0.0	0.0

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