

Internal Service Funds & Interdepartmental Transfers

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Unduplicated Budget

- ▶ Duplicated Budget

- ▶ If you add all the numbers in the Appropriations bill the total is:

- ▶ **\$7.9 Billion**

- ▶ Unduplicated Budget

- ▶ If you account for the double counts:

- ▶ **\$5.8 Billion**

Duplicated Appropriations

- ▶ Duplicated Appropriations:
 - ▶ General Fund Transfer to the Education Fund
 - ▶ Appropriated in B.513 (GF Transfer to education) As General Funds and then again in B.505 (Adjusted Education Payment) as Education Fund - \$314 million
 - ▶ Global Commitment Funds
 - ▶ State Match and General Funds are Appropriated in B.301 (Global Commitment Fund) and then appropriated every time the Global Commitment Fund is used as a funding source - \$1.534 Billion
 - ▶ Interdepartmental Transfers - \$80.9 Million
 - ▶ Internal Service Funds - \$114.5 Million

Interdepartmental transfers

- ▶ Transfer of Funds between one appropriation/department/agency and another
- ▶ Example - the Health Department is Awarded a Grant for smoking cessation services.
 - ▶ The grant includes funds for public health work and for work in elementary schools
 - ▶ Health works with Education to determine that Health will manage the public health requirements of the grant and Education will manage the work in elementary schools
 - ▶ Health is the grant recipient, only they can draw in the Federal Funds, and they receive an appropriation for the Federal Funds
 - ▶ Education however incurs the expense associated with the grant, and charges to the Interdepartmental Transfer Fund, Health reimburses the Interdepartmental Transfer Fund with the federal dollars that they draw down.

Interdepartmental Transfers

- ▶ Example - The Health Care Advocate
 - ▶ The Legislature determined that several state funding streams should be used to pay for the costs incurred to contract with the Health Care Advocate
 - ▶ Including: Global Commitment Funds, DFR Special Funds, GMCB bill Back, General Funds
 - ▶ AHS Earns GC; DFR Earns Health Insurance Fees; GMCB has authority to Bill Back
 - ▶ All of these departments need the authority to earn their share of the costs
 - ▶ AHS Central Office Manages the Contract, and the associated expenses, but not the Revenue
 - ▶ AHS charges the contract to the Interdepartmental Transfer Fund, the Departments reimburse the Interdepartmental Transfer Fund for the cost of the contract

Internal Service Funds

- ▶ Departments that provide services to state government are funded through internal service funds
 - ▶ DII
 - ▶ BGS (in part)
 - ▶ Finance & Management (in part)
 - ▶ Human Resources (in part)
 - ▶ Workers Compensation & Other Insurance

Internal Service Funds

- ▶ The Division of Financial Operations Manages the VISION system on behalf of State Government
 - ▶ Staff, operating, and the system costs are budgeted in B.107.
 - ▶ The division is an essential part of operating state government - an accounting system, and the correct and proper use of it is important.
 - ▶ The Federal Government recognizes that they only way to operate their programs, is for states to operate administrative systems
 - ▶ The Federal Government reimburses states for those costs through approve administration cost allocations.

Internal Service Funds

- ▶ Allocating internal service fund costs
 - ▶ Demand Driven Costs vs. Allocated Costs
 - ▶ Allocated
 - ▶ Finance & Management determines the budget to operate the division of financial operations - \$3 million
 - ▶ Using the approved cost allocation methodology an FY 2018 billing amount is determined by department
 - ▶ Billing amount is sent to department in the late fall and they Department build the internal service fund bill into their budgets and then allocates the bill to the funding sources available to them.
 - ▶ Tax - General Funds
 - ▶ DFR - Special Funds
 - ▶ AHS - Federal Funds/Global Commitment Funds/ General Funds
 - ▶ Finance and Management charges the Internal Service fund when costs are incurred; departments reimburse the fund when they pay their Internal Service Fund Bill.

Internal Service Funds

- ▶ Demand Driven Internal Service Funds
 - ▶ Some services are utilized by departments on a pay as you go basis, and not all department incur the same costs for services as others.
 - ▶ Fleet Cars - departments pay a bill to Fleet when they rent a fleet car
 - ▶ Departments estimate how much fleet rental will occur in a fiscal year, and budget for it.
 - ▶ Fish and Wildlife isn't paying for Finance to rent Fleet cars and vice versa
 - ▶ IT services
 - ▶ VISION Upgrade - one time project that requires additional IT resources
 - ▶ One-time costs built into Finance Budget for the Project - including buying services from DII
 - ▶ DII budget includes estimated spending for services purchased by other departments