

DEMYSTIFYING INTERNAL SERVICE FUNDS

January 31, 2023



VERMONT



INTERNAL SERVICE FUNDS DEFINED

What is an Internal Service Fund (ISF)?

- A fund created by governments to allocate the cost of certain shared activities, facilitating the use of multiple funding sources in addition to the General Fund.
- A fund created by governments to bill back individual departments, on a cost reimbursement basis, for any activity that provides goods and services to multiple departments.
- Internal Service Funds are appropriate only for activities that are intended to operate on a break-even basis over time.
- Using an Internal Service Fund to allocate costs or bill backs to departments provides a more complete picture of the true cost of operating a department and its programs.



INTERNAL SERVICE FUNDS VS. DIRECT PROGRAM APPROPRIATIONS

WHY USE INTERNAL SERVICE FUNDS INSTEAD OF DIRECT PROGRAM APPROPRIATIONS?

Internal Service Funds	Direct Appropriations
<ul style="list-style-type: none">• Long-Term Cost Accounting	<ul style="list-style-type: none">• One-Year Cost Accounting
<ul style="list-style-type: none">• Allocate costs to all fund sources	<ul style="list-style-type: none">• Isolates Federal and Special Funds
<ul style="list-style-type: none">• No incentive to spend more than services require	<ul style="list-style-type: none">• Tendency to “Use it or Lose it” at year-end
<ul style="list-style-type: none">• Planned capital replacement	<ul style="list-style-type: none">• Volatile budget depending on capital needs each budget year

ADVANTAGES AND DISADVANTAGES OF INTERNAL SERVICE FUNDS

Advantages

- ▶ Allows Optimal Allocation Across All Fund Sources
- ▶ Economies of Scale
- ▶ Control and Consistency in Service, Accounting, and Reporting
- ▶ Long-term Outlooks and Planning for Capital Acquisitions

Disadvantages

- ▶ More Complex
- ▶ Risk of Customer Disconnect
- ▶ Lack of Choice
- ▶ Potential for Structural Fund Deficits

CURRENT BUDGET TIME LINE

Allocation of ISF Charges

Allocation = A department's ISF charge resulting from the federally approved fair and uniform process for distribution of statewide ISF charges. This does not include demand driven ISF decisions.

Current Timeline

Early October to Mid-November

DFM holds budget meetings with departments that oversee ISFs to review their budget requests with the same level of scrutiny as budget requests from all other departments. DFM considers the history of the ISF fund balance and the current fund balance when approving budget requests for departments that oversee ISFs.

Late November to Early December

WHAT: The budget of each department that oversees ISFs will have missing cost components such as other ISF charges, personnel-costs defined by changes to the Collective Bargaining Agreement, and benefit premium changes. This is the "ripple effect" of ISF budgeting.

WHY: The budget of each department that oversees ISFs is dependent on the ripple of other ISF charges, and other personnel costs, that need to occur in a specific sequence.

Therefore, DFM follows the following order for budgeting ISFs:

- ▼ Insurances
- ▼ FFS
- ▼ ADS
- ▼ DHR
- ▼ VISION

Once the budget of each department that oversees an ISF is finalized by DFM, the ISF departments allocate the costs across the state agencies and departments.

Early December to Mid-January

Allocation information as determined by the ISF departments are distributed by DFM to all other agencies and departments in early December.

DFM identifies agency and department budgets to consider for an allotment of General Fund based on any allocation changes and availability of General Fund.



ALLOTMENT OF GENERAL FUNDS

Allotment

The Commissioner of Finance and Management has discretion to “allot” General Funds to adjust (upward or downward) for the impact of State-wide cost pressures, many of which are Internal Service Funds.

The historical logic for this allotment process reflects that departments generally have little or no control over these costs, and may have challenges managing increases. Similarly, departments should not benefit when State-wide cost factors decrease.

Traditionally, the Commissioner has allotted for the following State-wide cost pressures, most of which are ISFs:

- Insurances (including Workers’ Compensation, General Liability, etc.) ISF allocation;
- VISION ISF allocation;
- Fee for Space ISF allocation;
- ADS ISF (allocation only);
- DHR ISF (allocation only);
- Health, Dental, and Employee Assistance Plan – direct charge paid to ISF; and
- Employer Pension Rate changes – direct charge; not an ISF.

Factors included in the Commissioner’s discretionary allotment decision-making include:

- For each department, the share of the respective cost item that is currently funded with General Funds, versus Special, Federal, and Other Fund sources;
- Whether an individual department’s Federal, Special, or Other Funds have the capacity “at the margin” to absorb a cost increase; and
- The State’s overall General Fund availability.



WORKERS' COMPENSATION FUND

29 VSA 1408(a) - ALLOCATED

Fund Overview

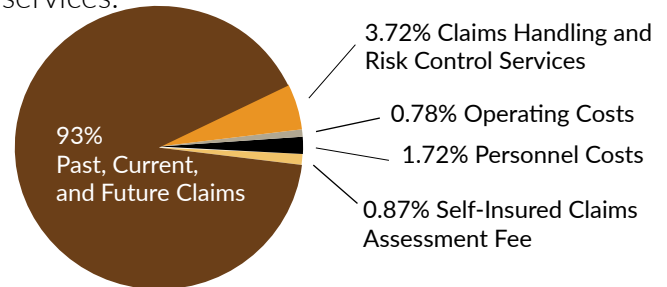
The State Employees' Workers' Compensation Internal Service Fund maintains a self-insurance program that covers past, current and future workplace injury and illness claims by State employees and officers from all State agencies, departments, boards and commissions. The fund covers the cost of claims administration, actuarial, audit and loss prevention services.

How is this ISF Calculated?

Workers' Compensation premiums are established using an actuarial analysis of claims liability plus program operating costs.

How is this ISF Allocated?

Premiums are then allocated to departments using actuarial formulas based on (1) department-specific loss experience over the previous five fiscal years and (2) loss exposure weighted by job duties of employees in each department (example: a Correctional Officer has higher loss exposure than an Office Administrator).



Budget	Expense
\$12,186,472	Past, Current, and Future Claims
\$487,945	Claims Handling and Risk Control Services
\$102,598	Operating Costs
\$225,790	Personnel Costs
\$113,964	Self-Insured Claims Assessment Fee
\$13,116,769	Total FY2022 Actual Expenses

SERVICES PROVIDED



CLAIMS ADJUSTING AND ADMINISTRATION

All work-related claims are reported, adjusted and paid by the third-party administrator in compliance with all applicable federal and state statutes and regulations with Risk Management's oversight and direction. Significant medical bill and pharmacy savings are achieved through the use of preferred provider networks, medical case managers and automated bill review. Risk Management attends settlement mediations with workers' compensation legal defense counsel.



CLAIMS REVIEWS

Regularly scheduled claim reviews are held with departmental leadership and the Department of Human Resources to discuss updates, return to work status and overall direction on many open claims.



RETURN-TO-WORK PLANNING AND FACILITATION

Risk Management and the third-party administrator work closely with injured workers, their medical providers, department leadership and the Department of Human Resources to return employees to work as soon as medically appropriate in a full or modified duty capacity. Identify job tasks that can be safely performed by employees within medical providers' restrictions in compliance with all federal and state statutes and regulations.



RISK CONTROL AND LOSS PREVENTION

Risk control professionals evaluate claim trends and loss exposure by department to implement effective trainings and programs with a focus on life safety. Additional offerings are online safety training through the Department of Human Resources' Learning Management System, in person safety training seminars, workplace ergonomic assessments and facility risk assessments.



STATE LIABILITY SELF-INSURANCE FUND

29 VSA 1406(c) - ALLOCATED

Fund Overview

The State Liability Self-Insurance Internal Service Fund maintains a self-insurance program that covers past, current and future liability claims brought before all State agencies, departments, boards and commissions. The State is self-insured for claims up to \$1,000,000 per occurrence. Commercial insurance coverage is in place above the \$1,000,000 self-insured retention. Liability claims include general liability, employment practices, discrimination, bodily injury, property damage and automobile liability. The fund covers the cost of claims administration, insurance brokerage, actuarial, audit and legal services.

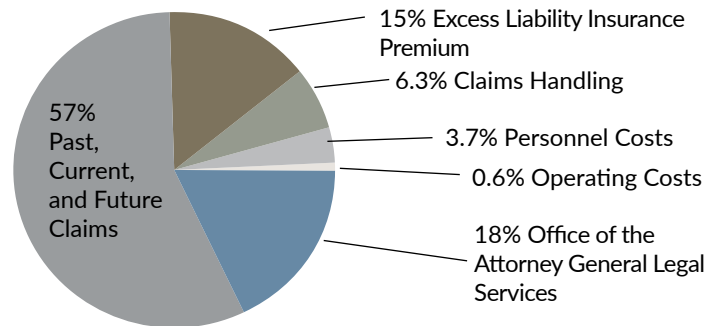
How is this ISF Calculated?

Liability premiums are established using an actuarial analysis of claims liability plus insurance policies, brokerage and program operating costs.

How is this ISF Allocated?

For General Liability, premiums are allocated to departments using actuarial formulas based upon (1) department specific loss experience over the previous five fiscal years and (2) loss exposure based upon type of work.

For Automobile Liability, premiums are allocated to departments using actuarial formulas based upon (1) department specific loss experience over the previous five fiscal years and (2) number of vehicles owned by the department.



Budget	Expense
\$1,110,004	Office of the Attorney General Legal Services
\$3,472,741	Past, Current, & Future Claims
\$905,963	Excess Liability Insurance Premium
\$384,755	Claims Handling
\$225,091	Personnel Costs
\$39,013	Operating Costs
\$6,137,567	Total FY2022 Actual Expenses

SERVICES PROVIDED



CLAIMS ADJUSTING AND ADMINISTRATION

All general and automobile liability claims are reported, adjusted, subrogated and paid by the third-party administrator in compliance with all applicable federal and state statutes and regulations with Risk Management's oversight and direction. Litigated claims are defended by the Attorney General's Office. Risk Management attends settlement mediations.



CLAIMS REVIEW

Regularly scheduled claim reviews are held with departmental leadership and the insurance broker to discuss updates and overall direction on many open claims.



INSURANCE BROKERAGE SERVICES

An insurance broker secures excess liability insurance coverage, provides advice and performs an insurance coverage gap analysis, issues insurance certificates and automobile identification cards. The broker provides annual training on topics such as contractual risk transfer, mitigating cyber security and defensive driving.



CONTRACT REVIEW

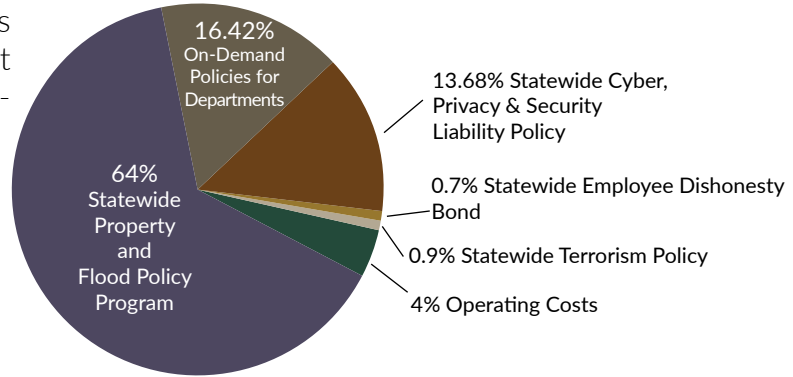
Risk Management and the insurance broker review vendor contracts submitted by all State departments for insurance compliance and recommend appropriate insurance limits for specialty coverages.

PROPERTY AND COMMERCIAL INSURANCE FUND

29 VSA 1401 - ALLOCATED & DEMAND

Fund Overview

The Property and Commercial Insurance Internal Service Fund provides for the purchase and maintenance of insurance policies for the State as a whole and for specific departments. Policies secured by insurance brokers for the State through this fund are: property, flood, terrorism, cyber and employee dishonesty. Department specific policies secured by insurance brokers through this fund are: airport operations, railroad operations, professional liability for judges, DCF policies for foster parents, Reach Up participants, AHS policy for home health care workers and other specialty policies. The funds cover the cost of claims administration, insurance brokerage, property appraisal, actuarial, audit and legal services.



How is this ISF Calculated?

Premiums are established based upon property value, employee headcount, insurance policies, brokerage and program operating costs.

How is this ISF Allocated?

Depending on the type of policy, premiums are allocated to departments using actuarial formulas based upon (1) percentage of property value per department (property, flood) or employee headcount (terrorism, employee dishonesty and cyber) and past five fiscal years of claim history, and (2) policies purchased for a department on demand are charged directly to that department. All policies are charged a 5% administrative fee.

Budget	Expense
\$2,495,675	Statewide Property and Flood Policy Program
\$637,597	On-Demand Policies for Departments
\$531,250	Statewide Cyber, Privacy & Security Liability Policy
\$27,870	Statewide Employee Dishonesty Bond
\$34,850	Statewide Terrorism Policy
\$155,887	Operating Costs
\$3,883,129	Total FY2022 Actual Expenses

SERVICES PROVIDED



CLAIMS ADJUSTING AND ADMINISTRATION

All insurance policy related claims are reported, adjusted and paid by the insurance carrier or broker in compliance with all applicable federal and state statutes and regulations with Risk Management's oversight and direction. Risk Management attends settlement mediations with legal defense counsel.



CLAIMS REVIEWS

Regularly scheduled claim reviews are held with departmental leadership and the insurance broker to discuss updates and overall direction on many open claims.



INSURANCE BROKERAGE SERVICES

Insurance broker secures insurance coverage, performs insurance coverage gap analysis, issues insurance certificates.



PROPERTY APPRAISAL

Independent property appraisers annually appraise 25% of all State-owned buildings and submit the information in a Summary Appraisal Report. The appraisers personally inspect 100% of State-owned buildings valued at \$75,000 or more over a four year cycle. Appraisers determine flood zones and elevations for all appraised properties, determine content valuation of personal property and computer equipment, plus inventory hot water heaters, micro cellular radio towers and solar panels.



FACILITIES OPERATIONS FUND (FEE FOR SPACE) 29 VSA 160(a) - ALLOCATED

Fund Overview

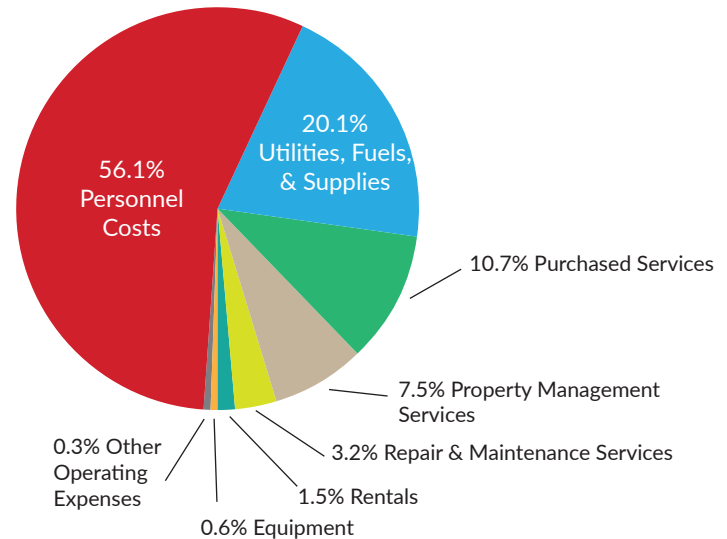
The Facilities Operations Fund, known as “Fee for Space” (FFS), funds the continuous operation and maintenance of state-owned facilities and the safety and security of State employees. Approximately 220 BGS employees are funded by this program which includes 85 custodians, 73 maintenance mechanics and 62 employees who provide supervision, management, administration and security.

How is this ISF Calculated?

Typically, Fee for Space is calculated based on all operating, maintenance, and security costs associated with the services provided. FFS rates are based on the costs incurred in the six geographical BGS Operations and Maintenance districts across the state.

How is this ISF Allocated?

The costs are allocated to the respective agencies on a square foot basis to provide an equitable shared cost of state-owned facilities across all agencies, departments, and programs within a district, and to leverage other funding sources, as appropriate. Centralized security and curatorial services are allocated on a statewide basis. Correctional and mental health facilities have individual FFS rates.



Budget	Expense
\$18,711,733	Personnel Costs
\$6,695,754	Utilities, Fuels, & Supplies
\$3,562,753	Purchased Services
\$2,509,356	Property Management Services
\$1,066,711	Repair & Maintenance Services
\$505,258	Rentals
\$195,480	Equipment
\$100,695	Other Operating Expenses
\$33,347,740	FY2023 Total Budget

SERVICES PROVIDED

MAINTENANCE: Air handling equipment, Elevators, Heat, Grounds, Snow removal, Roof maintenance, Exterior & interior painting, Carpet replacement, Pest control, Regulatory compliance.

CUSTODIAL: Bathrooms, Carpets vacuumed & cleaned, Non-desktop dusting, Non-carpet floor cleaning & maintenance, Recycling.

CURATORIAL SERVICES: Preservation, Restoration.

SECURITY: Security guards, Threat investigations and mitigation, Emergency preparedness, Continuity of Operations, Security infrastructure, Employee badges.

UTILITIES: Heating fuel, Electricity, Propane, Wood.

ENERGY OFFICE: Oversight of the State Energy Program, Planning, design, and construction of energy projects.

ENVIRONMENTAL COMPLIANCE: Indoor air quality research, ANR Permitting, Statewide efforts to reduce greenhouse gas emissions consistent with an executive order.



- 232 state-owned facilities
- 2,920,109 rentable ft²
- \$32,849,812 FY22 operating costs
- Properties valued at \$630 M
- Average cost per square foot = \$11.25

PROPERTY MANAGEMENT FUND

29 VSA 160(e) - DEMAND

Fund Overview

The Property Management Fund supports the delivery of quality leased facilities, operational services, and facilities management. State-owned surplus real estate may be leased or sold to the public through this program.

How is this ISF Calculated?

Based on the square feet leased by the department or agency.

How is this ISF Allocated?

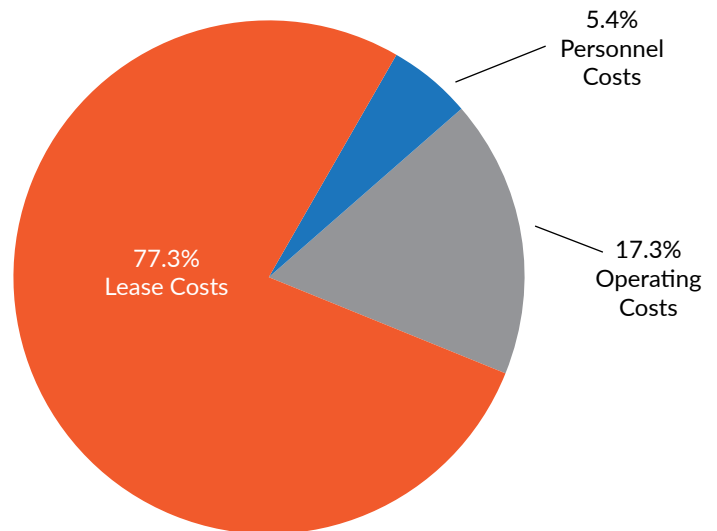
Agencies/Departments are billed the negotiated lease amount and any operating expenses not included in the lease such as janitorial, utilities, and snow removal, and an administrative fee of 5.26%. The fee covers the salaries and other expenses associated with the program, such as three leasing agents.



- 107 leased facilities
- 886,659 rentable ft²
- \$15,777,798 annual cost of all leases
- Average cost per square foot = \$17.79

FY2022 Actual Expense Breakdown (includes salary, wages, benefits, and operating costs for 108 Cherry Street and Asa Bloomer Building)

Budget	Expense
\$17,112,754	Lease Costs
\$1,206,489	Personnel Costs
\$3,829,383	Operating Costs
\$22,148,626	Total FY2022 Actual Costs



SERVICES PROVIDED		Space searches.
		Lease negotiation, execution, and renewals.
		Fit-up project management and subsequent reconciliations.
		Manage lease specific contracts (i.e. janitorial).
		Manage utility bills and reconciliation (i.e., gas, electric, real estate taxes, etc.)
		Purchase and sale of State-owned property.
		Manage customer issues with landlords and develop solutions.



FLEET FUND 29 VSA 902 (f)(b) AND 906 DEMAND

Fund Overview

The Fleet Management Fund provides statewide vehicle management activities including short-term rentals for use by employees traveling on State business and long-term lease vehicles to meet the ongoing operational needs of agencies and departments such as snowplow trucks and enforcement vehicles. The Fleet program supports the electrification of the fleet to lower operating costs, reduce maintenance, and support the State's sustainability goals.

How is this ISF Calculated?

Actual costs to support the program, including vehicle depreciation, are included in both the long-term lease agreement for permanently placed vehicles and the daily rental fees charged for the use of the Fleet motor pool vehicles. Cost per lease varies on the type of vehicle leased. On January 1, 2023, the motor pool program increased the rate from \$40 for a full-day use and \$0.40/mile over 100 miles to \$50 and \$0.50/mile, respectively.

SERVICES PROVIDED



Provide cost effective vehicles to employees traveling on State business and specialized vehicles to support operational needs of agencies and departments.



Assist agencies and departments with choosing the most cost-effective mobility solution to meet their needs through our Trip Calculator.



Ensure the procurement of the most cost effective, fuel efficient vehicle.



Inform agencies and departments of potential travel savings through the identification of under-utilized fleet vehicles and high mileage reimbursements.



Maintain safe and reliable Fleet vehicles through the management of scheduled maintenance, unplanned repairs, and annual State inspection compliance.



Identify Fleet efficiencies and potential saving using fleet metrics.



Provide one-stop resource for drivers by coordinating emergency roadside assistance.



Apply best fleet management practices and help to ensure policy compliance.

Budget	Appropriation
\$2,186,356	Vehicle Depreciation
\$874,621	Fuel and Auto Insurance
\$902,856	Personnel Costs and Administration
\$1,208,760	Repair and Maintenance, Supplies, Equipment
\$5,172,593	Total FY2022 Actual Costs

Vehicle Acquisition | Electrification of the Fleet

The chart below represents vehicle acquisition, by fuel type, since 2018. The data reflects the goal to electrify the fleet as directed in Act 59 of the Acts of 2019 (H.529) requiring that not less than 50 percent of vehicles purchased or leased by the Department of Buildings and General Services, on or after July 1, 2019, be hybrid or plug-in electric vehicles, and not less than 75 percent beginning July 1, 2021. The supply and market issues surrounding electric and hybrid vehicles in the past 18 months have negatively impacted progress toward the goal of fleet electrification, however greater success is expected in the future.

FY 2019-2022 | New Vehicle Acquisition by Fuel Type

ALL New Vehicles					Light Duty Passenger Vehicles
Fuel Type	FY19	FY20	FY21	FY 22	FY 2022
ICE - Internal Combustion Engine/ Not EV (gasoline or diesel)	70	19	22	2	0
PHEV + HEV Hybrid/ Plug-in Electric	14	48	36	13	13
BEV Battery Electric			8	1	1
Total ALL New Vehicle Acquisitions	84	67	66	16	14

FY 2019-2022 | Percentage of New Vehicles Acquired

ALL New Vehicles					Light Duty Passenger Vehicles
Fuel Type	FY19	FY20	FY21	FY 22	FY 2022
ICE - Internal Combustion Engine/ Not EV (gasoline or diesel)	83%	28%	33%	13%	
PHEV + HEV Hybrid/ Plug-in Electric	17%	72%	67%	87%	87%

16 Electric Vehicles in Fleet

Total Fleet	Sedans	SUV	Mid-size Van
651	84	74	3





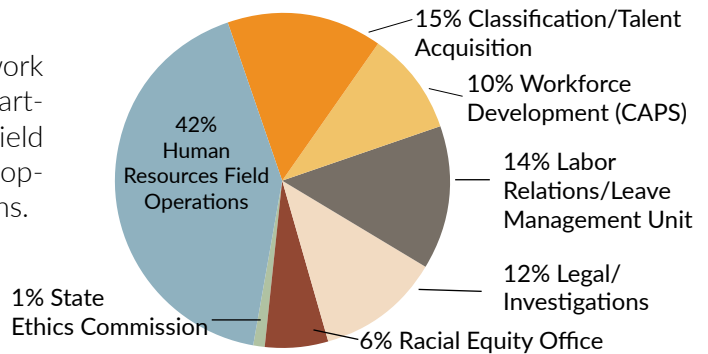
HUMAN RESOURCES FUND 3 VSA 2283 - ALLOCATED

Fund Overview

The Department of Human Resources ISF funds the work of DHR to support the Executive Branch, agencies, departments and boards and commissions in the areas of HR Field Staff, Talent Acquisition, Classification, Workforce Development, Labor/Leave Management and Legal/Investigations.

How is this ISF Calculated and Allocated?

Divisions/Program Costs	Allocation Method
<ul style="list-style-type: none"> Human Resources Field Operations Classification/Talent Acquisition Workforce Development (CAPS) Labor Relations/Leave Management Boards and Commissions 	 By Employee Count extracted from VTHR on October 1
<ul style="list-style-type: none"> Legal/Investigations 	 By department investigation volume in previous FY



Budget	Expense
\$3,360,022	Human Resources Field Operations
\$1,192,266	Classification/Talent Acquisition
\$758,715	Workforce Development (CAPS)
\$1,083,878	Labor Relations/Leave Management Unit
\$974,332	Legal/Investigations
\$440,610	Racial Equity Office
\$116,575	State Ethics Commission
\$7,926,398	Total FY2023 Budget

SERVICES PROVIDED



LEGAL/INVESTIGATIONS

Investigation of complex employment related claims. Additionally, provide Investigations training, support and guidance to Human Resources Field Operations Division and State agencies and departments. Specific staff and operational costs are attributed to the HR fund.



HUMAN RESOURCES FIELD OPERATIONS

Provides human resources field support and services to all Executive Branch, as well as elected offices, boards and commissions of State government.



TALENT ACQUISITION/CLASSIFICATION

Assesses job content and assigns appropriate pay grades for classified positions, manages the statewide recruiting process, and provides talent acquisition services and strategies to attract, recruit and hire employees.



WORKFORCE DEVELOPMENT (CAPS)

The Center for Achievement in Public Service (CAPS) provides Workforce Development/Training facility for State employees.



LABOR RELATIONS/LEAVE MANAGEMENT UNIT

Implements, interprets, and administers Collective Bargaining Agreements for unionized State employees in certified bargaining units among many other responsibilities. Ensures compliance for the Federal Family and Medical Leave Act, Vermont's Parental & Family Leave Act and the Americans with Disabilities Act. Specific staff and operational costs are attributed to the HR fund.



BOARDS AND COMMISSIONS

While not Department of Human Resources services, also included in the HR ISF allocation are the operating costs of the State Ethics Commission (2017 Act 79) and the Office of Racial Equity (2018 SS Act 9); both operational budgets are allocated to Executive Branch departments by headcount.



FINANCIAL AND HUMAN RESOURCE INFORMATION INTERNAL SERVICE FUND (VISION) 32 VSA 183 - ALLOCATED

Fund Overview

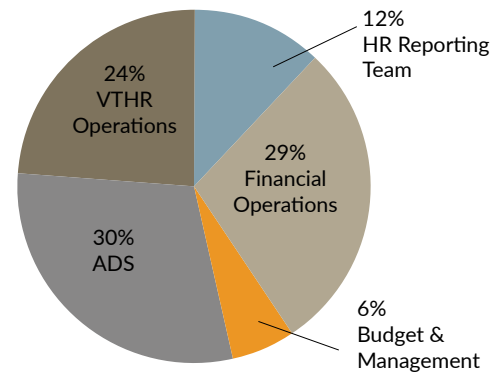
The Financial and Human Resource Information Internal Service Fund (aka "VISION fund") is used to fund the technical and personnel costs of the Enterprise Resource Planning (ERP) system. The ERP is comprised of VISION, Vantage, and VTHR.

How is this ISF Calculated and Allocated?

Divisions/Systems	Allocation Method
<ul style="list-style-type: none"> Financial Operations - VISION Budget Management - Vantage 50% ADS ERP Team 	Equally Allocated to: <ul style="list-style-type: none"> Number of Users Budget Size Accounting Transactions Volume
<ul style="list-style-type: none"> VTHR Operations (VTHR) HR Reporting Team (VTHR) 50% ADS ERP Team 	Employee Count

FY23 VISION Fund Budget

Budget	Expense
\$2,988,721	Financial Operations
\$600,742	Budget and Management
\$3,130,266	Agency of Digital Services (ADS)
\$2,506,510	VTHR Operations
\$1,213,455	HR Reporting Team
\$10,439,694	Total FY2023 ISF Rate (based on FY22 expenses)



SERVICES PROVIDED

THE DIVISION OF FINANCIAL OPERATIONS - DEPT. OF FINANCE AND MANAGEMENT

The State's centralized accounting system, known as VISION, is operated and maintained by Financial Operations. The VISION system records and processes financial transactions that incorporate appropriate internal controls and provide reliable financial information that is in accordance with Generally Accepted Accounting Principles (GAAP) to end users. 100% of these costs are assigned to the VISION fund.

THE DIVISION OF BUDGET AND MANAGEMENT - DEPT. OF FINANCE AND MANAGEMENT

Department of Finance and Management Commissioner's office provides management oversight, leadership, and policy goals. Budget & Management personnel maintain and operate the budget system, known as Vantage, which interfaces with VISION to provide the budget appropriation load. Approximately 25% of these costs are assigned to the VISION fund.

VTHR OPERATIONS - DEPT. OF HUMAN RESOURCES

VTHR Operations Division manages the functional business needs of the PeopleSoft HCM (Human Capital Management) system, known as VTHR. VTHR houses HR data as it relates to employees, including records such as employee status, salary, benefits, compensation, timesheets, payroll, and position data. 100% of these costs are assigned to the VISION fund.

HR OPERATIONS REPORTING TEAM - DEPT. OF HUMAN RESOURCES

HR Operations Reporting Team assists managers and supervisors across State government to better manage and improve the workforce through the collection and analysis of workforce data stored in the VTHR system. Specific staff and operational costs are attributed to the VISION fund.

AGENCY OF DIGITAL SERVICES (ADS)

The ADS Enterprise Resource Planning group provides technical support required to maintain or upgrade the VISION and VTHR systems. Specific staff and operational costs are attributed to the VISION fund.



COMMUNICATIONS & INFORMATION TECHNOLOGY FUND (CIT) 22 VSA 902(a) - ALLOCATED & DEMAND

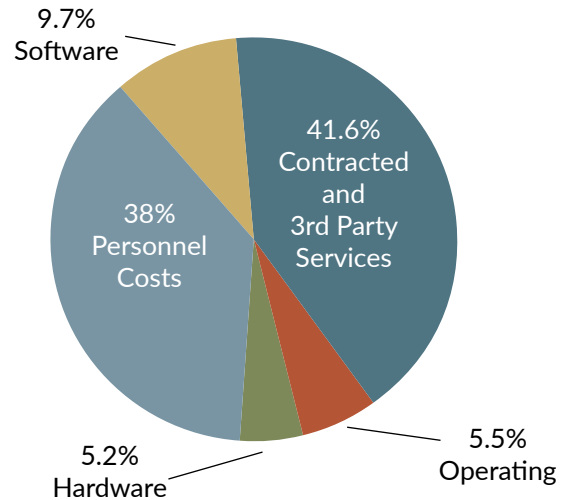
Fund Overview

The CIT fund is managed by ADS and bills via two service categories, Allocation and Demand. The ADS Allocation covers all shared IT services which benefit all state government. The Demand is driven by each department's request for services unique to their business needs.

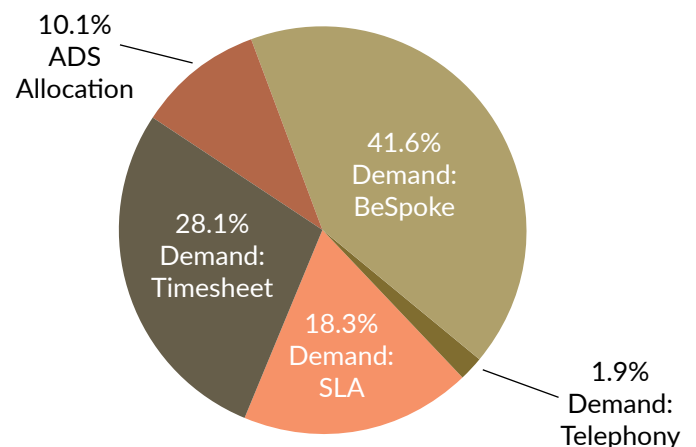
How is this ISF Calculated?

The ADS Allocation calculates the costs associated with generalized IT services which all State agencies and departments access to perform routine State business and is attributed to every full-time employee per fiscal year end workforce report.

The cost of ADS Demand services are derived based on the costs of providing services identified by ADS IT Leaders working with each agency and department. These could include unique needs around software, private cloud or server use, IT professional services, telephone or VoIP needs, hardware, and other IT related functions which fall outside of the ADS Allocation.



Budget	Expense
\$43,389,266	Personnel Costs
\$47,285,653	Contracted & 3rd Party Services
\$5,954,240	Hardware
\$6,298,212	Operating
\$10,980,955	Software
\$113,728,754	Total SFY23 CIT Budget



Budget	Service Category
\$11,463,861	ADS Allocation
\$47,331,968	Demand: BeSpoke
\$2,111,284	Demand: Telephony
\$20,826,586	Demand: SLA
\$31,995,053	Demand: TimeSheet
\$113,728,754	Total SFY23 CIT Budget

SERVICES PROVIDED

ADS ALLOCATION

Covered under this are services such as internet and network connectivity and security support, Vermont.gov management, technology contracting support, VPN and secure certificate services, EPMO Administration/Legislative Reporting, IT Service Desk, and IT Finance & Administration.

SERVICE LEVEL AGREEMENT (SLA)

Many business units purchase specific services from ADS and are billed for what they consume under the SLA Billing Model. Some services found under the SLA are automated call distribution, private cloud, desktop support, mainframe management, and Enterprise Application Services.

TIME-SHEET BILLING

Some departments require IT professional services for roles under the Enterprise Project Management Office, Chief Technology Office, Security Office or for Non-Enterprise Application support. This is billed out via an all-inclusive hourly rate model for hours worked.

TELEPHONY/VOIP CHARGES

Departments are billed for lines assigned using a per line fee plus long-distance charges. The per line fee is comprised of actual cost per line, plus surcharge for admin.

BESPOKE CHARGES

Certain costs are required to be billed back on a BeSpoke (tailored) basis - hardware and other end-user devices, software, independent reviews, other contractual services, specific training related to projects/systems, and software outside the SLA charges.



OTHER INTERNAL SERVICE FUNDS

AGENCY OF ADMINISTRATION

SOA (SECRETARY OF ADMINISTRATION)

Equipment Revolving Fund – This fund is used as an internal lease purchase mechanism of equipment for State agencies and departments. 29 VSA 903(e)

BGS (BUILDINGS & GENERAL SERVICES)

E-Procurement Fund - The purpose of the Purchasing Card Program is to establish a more efficient, cost-effective method of purchasing and paying for small dollar transactions and high-volume, repetitive purchases. 29 VSA 907(b)

Copy Center Fund - This fund's activities include the Department of Buildings and General Services Print Shop and copier leasing services. 29 VSA 906

Postage Fund - This fund accounts for the mail services for the Montpelier and Waterbury State complexes including mail collection and delivery, sorting, and applying postage. 29 VSA 906

State Energy Revolving Fund - This fund is used as an internal lease purchase mechanism for energy efficiency improvements using renewable resources. 29 VSA 168

State Resource Management Fund - This fund accounts for the costs of energy resource conservation measures implemented by departments anticipated to generate a life cycle cost benefit to the state. 29 VSA 168

State Surplus Property Fund - This fund accounts for the sale of all items that are no longer needed by the State's agencies and departments. 29 VSA 1557(a)

DHR (DEPARTMENT OF HUMAN RESOURCES)

Medical Insurance Fund - This fund provides health coverage for current State employees, retirees, and other groups eligible to participate. 3 VSA 631

Dental Insurance Fund - This fund provides dental coverage for current State employees, legislators and other groups eligible to participate. 3 VSA 631

Life Insurance Fund – This fund provides a life insurance policy for current State employees, retirees and other groups eligible to participate. 3 VSA 631

Long-term Disability Fund – This fund provides an income replacement benefit for State employees that are not represented by the State employee unions, should they have a long term or permanent disability. 3 VSA 631 and 3 VSA 2222 (f)

Employees' Assistance Fund – This fund provides a program that assists State employees and members of their immediate household assistance in addressing problems that impact their lives. 3 VSA 631

EXTERNAL TO AOA (AGENCY OF ADMINISTRATION)

AOT: Highway Garage Fund – This fund accounts for the maintenance and rental of equipment to the Agency of Transportation for use in construction, maintenance and operation of the State's transportation infrastructure. 19 VSA 13

Auditors: Single Audit Revolving Fund – The purpose of this fund is to account for the costs attributable to the Auditor of Accounts Office's performance of the annual Single Audit. 32 VSA 168(a)

DOC: Offender Work Program – This fund accounts for the activities of the print shop, sign shop and furniture shop run by the Department of Corrections. 29 VSA 752(a)

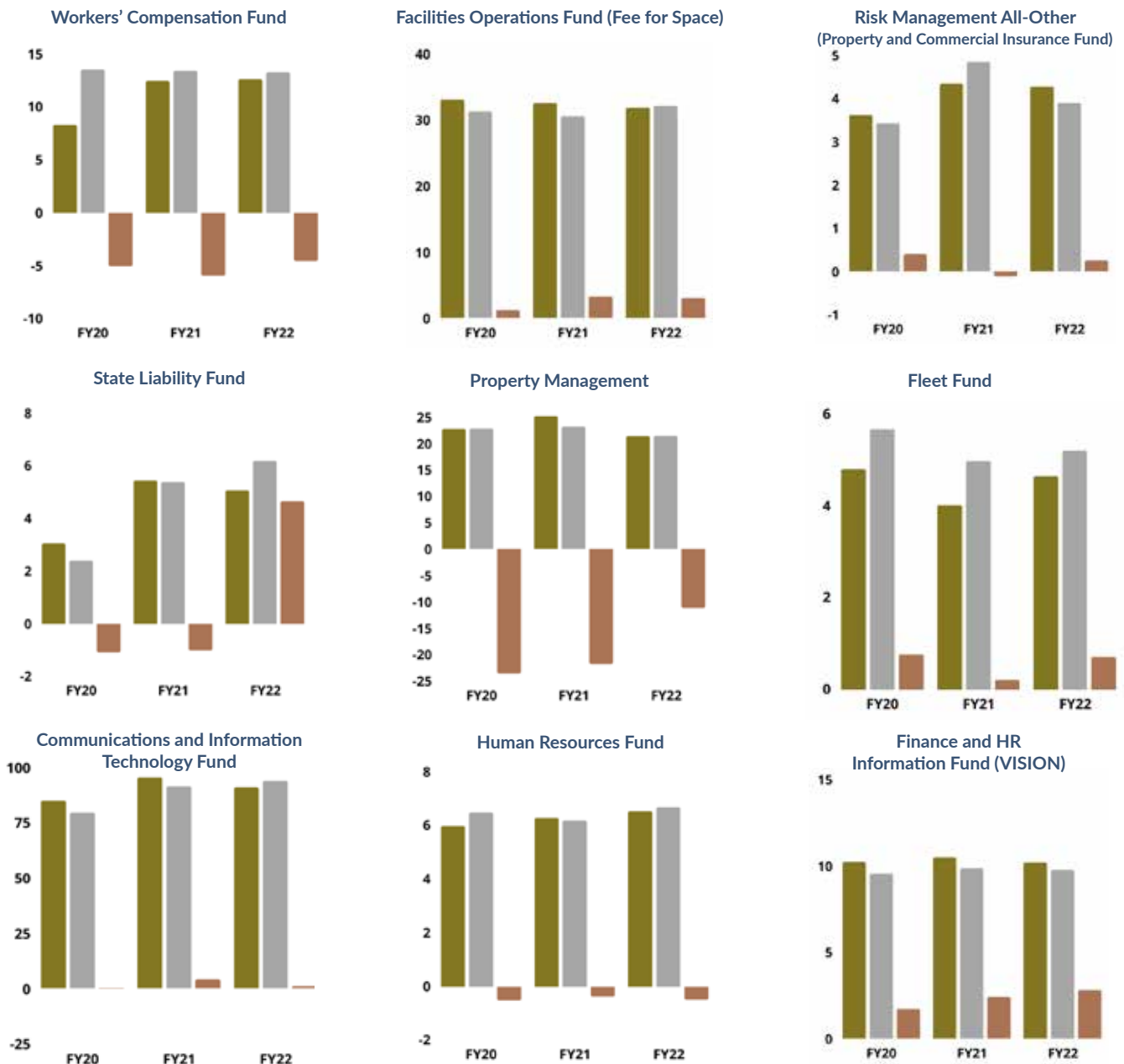


ISF REVENUE, EXPENSES, & FUND BALANCES

Overview

The following two pages represent the financial activity of the nine Internal Service Funds highlighted in this report. Each chart below represents the actual revenues and expenditures for each fund for last three fiscal years and their cumulative fund balances. The next page provides the underlying data for the charts.

(All figures in Millions) Revenue Expenses Fund Balance





ISF DATA

FUND	FY18	FY19	FY20	FY21	FY22
Workers' Compensation Fund					
Revenue	13,727,134	6,208,300	8,227,292	12,332,862	12,474,370
Expense	4,796,485	12,715,455	13,393,751	13,278,460	13,116,769
Fund Balance	10,270,746	(2,905,670)	(5,001,425)	(5,910,419)	(4,514,502)
State Liability Fund					
Revenue	3,034,001	3,695,585	3,038,634	5,371,441	5,027,983
Expense	4,552,080	4,761,345	2,364,071	5,316,670	6,137,567
Fund Balance	(2,167,454)	(4,128,222)	(1,051,775)	(982,772)	4,633,125
Risk Management All-Other					
Revenue	3,827,227	3,009,902	3,611,044	4,304,221	4,245,635
Expense	3,726,128	2,852,221	3,410,153	4,815,276	3,883,129
Fund Balance	78,229	69,966	398,857	(112,198)	250,308
Facilities Operations Fund (Fee for Space)					
Revenue	29,659,723	31,574,173	32,925,042	32,439,672	31,720,447
Expense	29,774,268	30,935,794	31,120,647	30,407,607	31,972,071
Fund Balance	(1,307,866)	(572,415)	1,200,712	3,253,812	2,993,855
Property Management					
Revenue	20,779,518	23,333,992	22,556,587	25,009,273	21,165,894
Expense	21,108,928	22,624,481	22,624,100	23,094,835	21,198,979
Fund Balance	(24,895,700)	(23,493,409)	(23,580,391)	(21,684,058)	(11,061,399)
Fleet Fund					
Revenue	4,508,577	4,913,925	4,769,976	3,990,392	4,623,852
Expense	5,466,420	5,982,512	5,633,177	4,942,825	5,172,593
Fund Balance	2,262,116	1,248,376	764,606	212,814	705,115
Communications and Information Technology Fund					
Revenue	32,392,051	68,884,050	84,075,928	95,125,867	90,603,004
Expense	33,839,599	67,506,487	78,662,814	91,026,703	93,589,611
Fund Balance	(4,257,793)	(5,563,986)	(150,872)	3,948,242	957,888
Human Resources Fund					
Revenue	4,611,602	5,374,999	5,859,468	6,200,408	6,449,979
Expense	4,452,090	5,184,673	6,364,299	6,057,731	6,572,432
Fund Balance	215,890	7,925	(496,906)	(354,229)	(476,682)
Finance and HR Information Fund (VISION)					
Revenue	9,815,782	9,835,629	10,171,381	10,437,839	10,153,298
Expense	8,683,878	9,935,806	9,548,871	9,807,221	9,728,945
Fund Balance	766,166	1,110,061	1,732,571	2,363,189	2,787,542

Working Group on Internal Service Fees Appendix A

Acronyms & Abbreviations

ADA	American Disability Act
ADS	Agency of Digital Services
AG	Attorney General
ANR	Agency of Natural Resources
AOA	Agency of Administration
AOT	Agency of Transportation
BGS	Building and General Services
Big E	Eastern State Exposition located in Massachusetts
CAPS	Center for Achievement in Public Service
CBA	Collective Bargaining Agreement
CIT	Communications & Information Technology
COOP	Continuity of Operations Plan
DFM	Department of Finance & Management
DHR	Department of Human Resources
DOC	Department of Corrections
EPP	Emergency Preparedness Plan
ERP	Enterprise Resource Planning
FF	Federal Funding
FFS	Fee for Space
FMLA	Family and Medical Leave Act
FMS	Fleet Management Services
GAAP	Generally Accepted Accounting Principles
GF	General Fund
HCM	Human Capital Management
HR	Human Resources
HVAC	Heating Ventilation and Air Conditioning
ISF	Internal Service Fund
IT	Information Technology
O & M	Operations and Maintenance Division, BGS
PFLA	Parental and Family Leave Act
SF	Special Funding
SLA	Service Level Agreement
SOA	Secretary of Administration
VISION	Vermont's Centralized Accounting System
VOIP	Voice Over Internet Protocol
VSA	Vermont Statutes Annotated
VTHR	Vermont's PeopleSoft Human Capital Management System