

Budget Brief – DAS DFCM Administration

NUMBER CFAS-06-07

SUMMARY

The Division of Facilities Construction and Management (DFCM) is the building manager for all state owned facilities. The division is responsible for all aspects of construction and maintenance of state buildings and assists the Building Board in developing its recommendations for capital development projects and allocating capital improvement funds. The division also oversees all non-higher education, non-judicial branch leases and controls the allocation of state-owned space.

ISSUES AND RECOMMENDATIONS

Move Administrative Costs from Project Funds

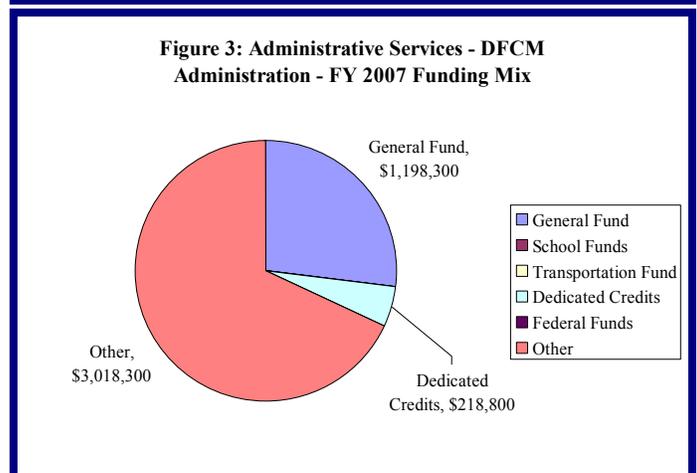
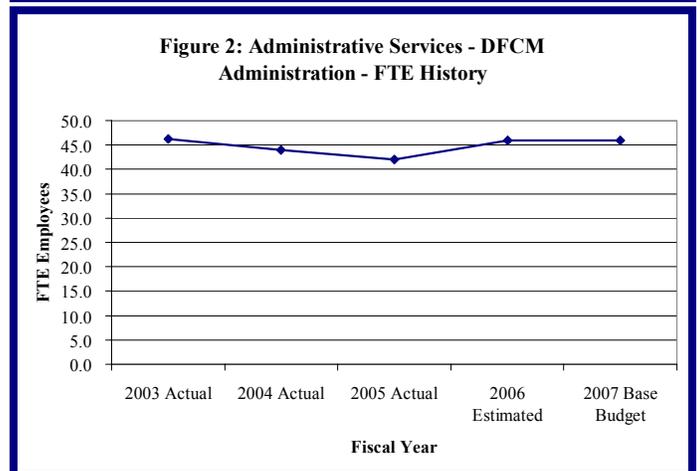
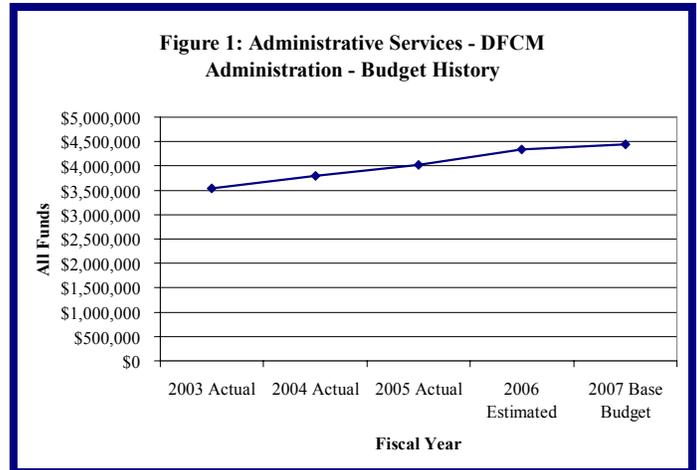
Due to revenue shortfalls, the 2002 Legislature shifted \$3.1 million in this line item from the General Fund to project reserve funds. This was meant to be a temporary solution. In the 2005 General Session the Legislature restored \$1.1 million. The Analyst recommends a final restoration of \$1,092,000 in FY 2007. If the General Funds are restored, a concurrent reduction should be made to the Contingency Reserve Fund appropriation, since it would be a replacement.

Capital reserve funds are intended to be used for construction projects. Funds flow in and out of them depending on unexpected savings or costs. Since funds flow in from project savings, and many projects are funded with bond proceeds, Utah is currently funding part of DFCM’s operating costs with borrowed funds. Using reserve funds for administration puts pressure on project managers to avoid using funds for projects. Further, it puts pressure on project managers to inflate their cost estimates.

In the past two years inflation on construction has increased eight to fifteen percent per year, making projects more expensive and necessitating reserve funds. Contractors are busier and making higher bids. Therefore it is likely that the Project Reserve Fund will decrease in the foreseeable future. More information on reserve funds is provided on page 2.

Prison Relocation Study

In 2005 the Legislature appropriated \$150,000 to DFCM for a contract to study the feasibility of moving the Draper prison. The study determined that the costs of moving the prison would exceed revenues by about \$370 million and concluded that it is not financially feasible to move the prison, the state should retain excess property for future state use, and the state should pursue strategic master planning of the site.



New Energy Program

In coordination with the Legislature, the governor has rearranged the state’s energy policy programs. Oversight of the programs is now in the Governor’s Office. As part of the change the Utah Energy Office was eliminated (S.B. 199, 2005 G.S.). By executive order this office formerly oversaw the State Building Energy Efficiency Program (SBEEP). SBEEP was intended to save the state money and deposit part of the savings into the LeRay McAllister Fund. In reality, savings were overcome by increases in fuel and power rates, and weren’t readily identifiable in any particular fund for transfer to the McAllister Fund.

Under the new oversight plan, the Governor’s Office has allocated two FTE to DFCM to oversee energy efficiency in state buildings. The Governor’s Office will fund the new program through transfers (Dedicated Credits) to DFCM.

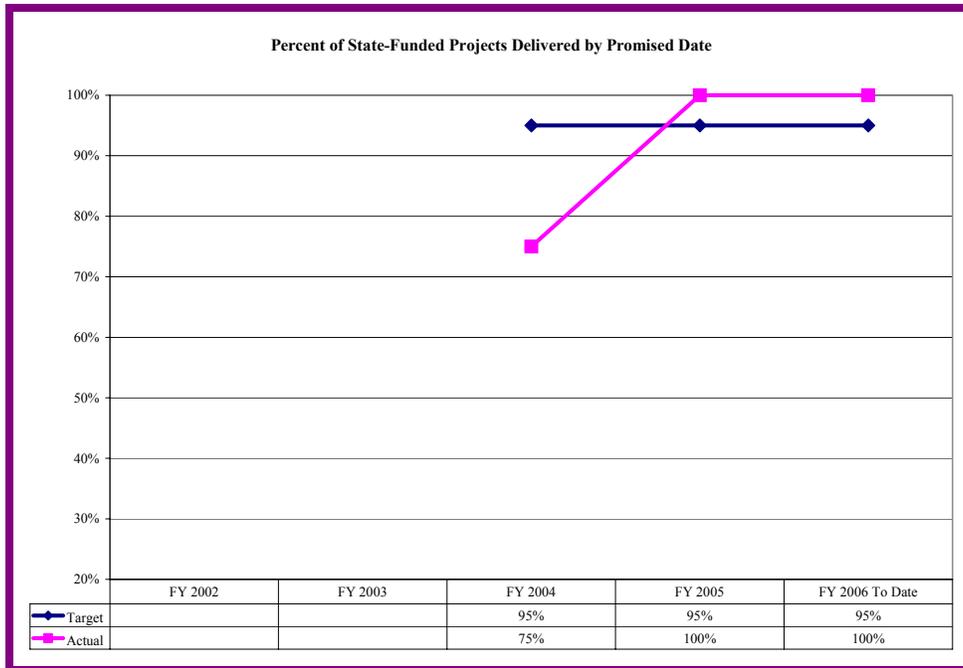
ACCOUNTABILITY DETAIL

Reserve Fund Balances



The fact that money is available is a testament to DFCM’s management over the last four years. Balances accrue in these funds only when projects come in under budget or when bids are lower than expected. However, using reserve funds for division administration also creates pressure (perceived or actual) to overestimate costs in order to preserve a positive balance. As expected, Project Reserve Funds have declined in FY 2006 due to projects costing more than expected. Contingency Reserve Funds, however, have increased because the division is keeping change orders to a minimum, mainly due to Value Based Procurement. If the Legislature follows the Analyst’s recommendation to fund administrative costs with General Funds, excess Contingency Reserve Funds could be appropriated for one-time capital projects.

Percent of State-Funded Projects Delivered by Promised Date



These data indicate that DFCM is completing its projects by the promised date in most instances. In FY 2004 three buildings were not delivered by the promised date; two were only one month late and the other was three months late. Since FY 2004 all projects have been completed on or before their target completion dates.

BUDGET DETAIL

The Legislature restored \$1.1 million in General Funds in FY 2006. One-time General Funds in FY 2005 represent a supplemental appropriation for the prison relocation study. The 2005 Legislature also moved the Computer Aided Design (CAD) program from the DFCM ISF budget to the appropriated budget. This shifted \$124,000 in capital improvement funds and 2 FTE to the appropriated budget.

Budget Recommendation

The Analyst recommends a total FY 2007 base appropriation of \$4,435,400, with \$1,198,300 from the General Fund. The Analyst further recommends the Legislature appropriate an additional \$1,092,000 in ongoing General Funds beginning in FY 2007 to shift administrative costs away from project funds.

LEGISLATIVE ACTION

This section is a summary of what actions might be taken if the Legislature wishes to adopt the recommendations of this brief. The Analyst recommends the Legislature consider adopting:

1. A total base appropriation of \$4,435,400 for the DFCM Administration line item.
2. An increased appropriation of \$1,092,000 in ongoing General Funds in FY 2007.
3. A decrease to the Contingency Reserve Fund appropriation in exactly the same amount as General Fund restored (this reverses action the Legislature took in FY 2002 when it replaced General Funds with reserve funds).

BUDGET DETAIL TABLE

Administrative Services - DFCM Administration						
	FY 2005	FY 2006		FY 2006		FY 2007*
Sources of Finance	Actual	Appropriated	Changes	Revised	Changes	Base Budget
General Fund	81,300	1,198,300	0	1,198,300	0	1,198,300
General Fund, One-time	150,000	0	0	0	0	0
Dedicated Credits Revenue	0	0	186,900	186,900	31,900	218,800
Capital Project Fund	3,956,700	1,638,100	(62,800)	1,575,300	62,800	1,638,100
Project Reserve Fund	0	200,000	0	200,000	0	200,000
Contingency Reserve Fund	0	1,180,200	0	1,180,200	0	1,180,200
Lapsing Balance	(161,100)	0	0	0	0	0
Total	\$4,026,900	\$4,216,600	\$124,100	\$4,340,700	\$94,700	\$4,435,400
Programs						
DFCM Administration	3,266,000	3,363,300	(124,000)	3,239,300	(2,200)	3,237,100
Preventive Maintenance	176,000	157,200	0	157,200	25,200	182,400
Governor's Residence	81,300	101,300	0	101,300	0	101,300
CADD Services	0	0	124,000	124,000	400	124,400
Energy Program	0	0	186,900	186,900	31,900	218,800
DFCM HazMat	81,400	96,700	(10,400)	86,300	10,600	96,900
Roofing and Paving	422,200	498,100	(52,400)	445,700	28,800	474,500
Total	\$4,026,900	\$4,216,600	\$124,100	\$4,340,700	\$94,700	\$4,435,400
Categories of Expenditure						
Personal Services	3,197,300	3,367,300	219,000	3,586,300	71,800	3,658,100
In-State Travel	63,700	84,100	(4,300)	79,800	2,500	82,300
Out of State Travel	8,700	20,200	(6,000)	14,200	1,700	15,900
Current Expense	342,200	445,700	(68,300)	377,400	39,000	416,400
DP Current Expense	265,000	299,300	(31,000)	268,300	(5,600)	262,700
DP Capital Outlay	0	0	14,700	14,700	(14,700)	0
Other Charges/Pass Thru	150,000	0	0	0	0	0
Total	\$4,026,900	\$4,216,600	\$124,100	\$4,340,700	\$94,700	\$4,435,400
Other Data						
Budgeted FTE	42.0	44.0	2.0	46.0	0.0	46.0
Actual FTE	41	0	0	0	0	0
Vehicles	9	9	0	9	0	9

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