

Budget Brief – DAS DFCM Administration

NUMBER CFGO-07-07

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

State Buildings Energy Efficiency Program

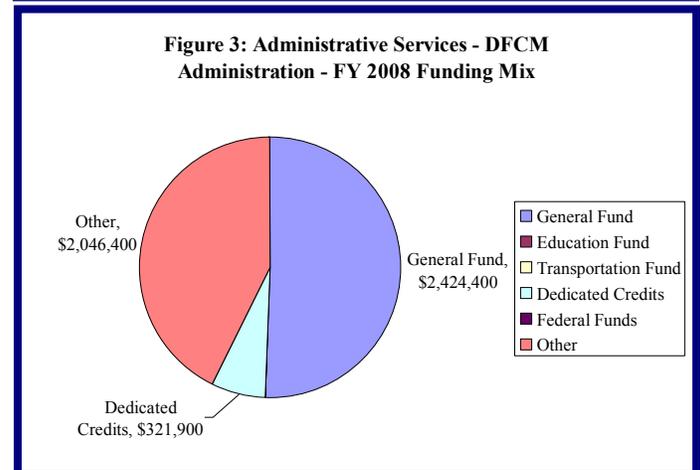
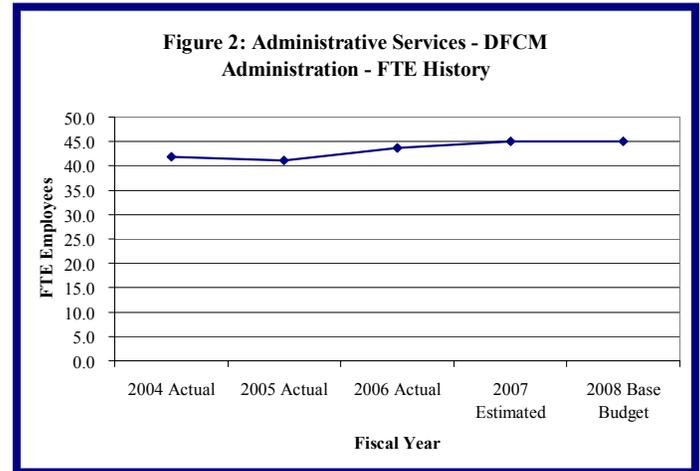
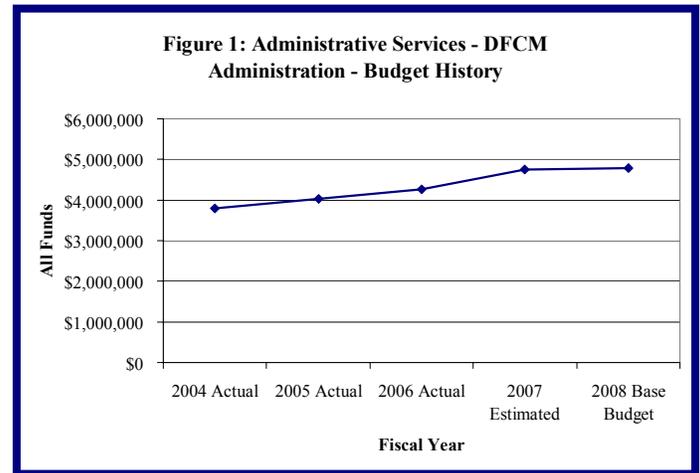
The 2006 Legislature passed H.B. 80, which directs DFCM to administer the State Buildings Energy Efficiency Program. The primary goal is to increase energy efficiency by 20 percent by year 2015. The division has audited 150 of the state's more than 2,000 buildings and identified many opportunities in 1) Recommissioning/optimizing buildings, or 2) Lighting upgrades, all with projected payback periods under five years. While energy efficiency projects are eligible for Capital Improvement funds, those dollars are focused on deferred maintenance issues. The state has never provided funding specifically for energy saving projects. The Analyst recommends a one-time General Fund appropriation of \$1.5 million as a pilot program to see how successful the projects are.

Construction Inflation

The cost of building projects has escalated dramatically in the past four years. The State of Utah, together with other public agencies, contractors, and private owners, has suffered from continuous steep price increases in construction materials since 2004. Please see Issue Brief CFGO-07-07 for an analysis on why construction material inflation has been high and where prices may be headed in the future.

Use of Reserve Funds

The 2006 Legislature anticipated a need and authorized transfer of \$1.5 million from the Contingency Reserve Fund to the Project Reserve Fund. Project Reserve Funds were expected to be needed to complete the Dixie State College Health Science Building, SLCC Health Science Building, and SUU Teacher Education Building. The division has transferred \$2.25 million for the DSC project and \$2.5 million for the SLCC project. The SUU bids came within budget and haven't required additional funding.



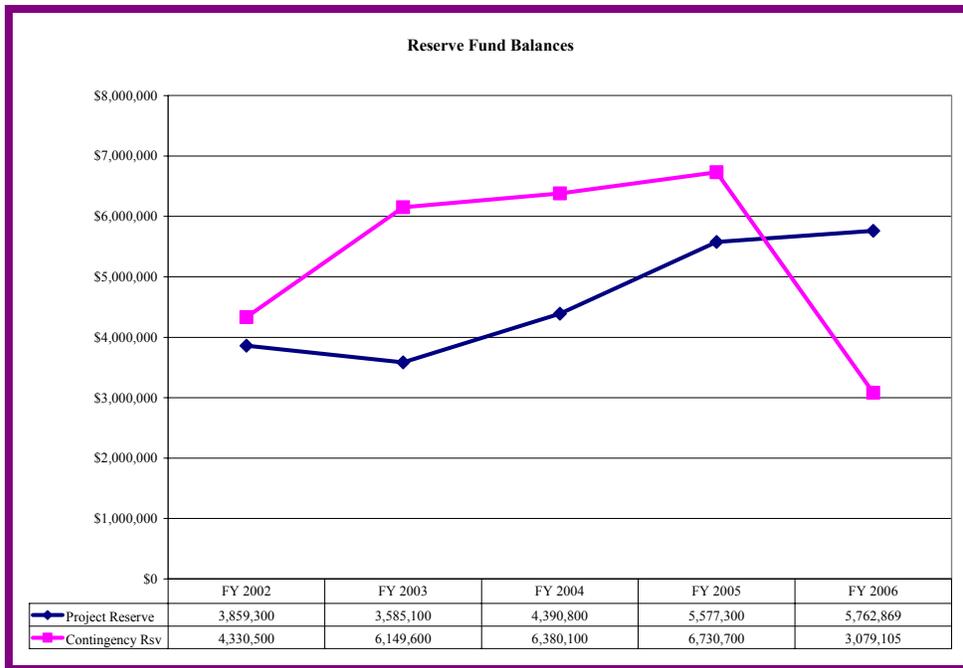
The Contingency Reserve Fund (CRF) and Project Reserve Fund (PRF) have always been reserved for state-funded projects. In fact, their funding comes from add-ons to state funded project budgets. But during FY 2006 the division used the CRF for unexpected costs to close out the West Jordan courthouse project (\$394,800) and also used the PRF to award a contract on the Tooele courthouse project (\$300,000). Both of these projects are non-state funded revenue bond projects; they didn't add to the CRF or PRF and therefore their eligibility to receive from the CRF is questionable. Nevertheless, the division needed the funds and openly communicated their actions. The Analyst recommends the Legislature ratify the expenditures since no clear legislative language forbade it, but also recommends the Legislature express that use of the CRF for non-state funded projects should be limited to exceptional situations and should occur after notification of the two CFAS appropriation subcommittee co-chairs.

General Funds Restored

Due to revenue shortfalls, the 2002 Legislature shifted \$2.7 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, and then another \$1.1 million in the 2006 General Session. The balance of DFCM's funding comes from Capital Improvement funds and reserve funds. No further General Fund restorations are requested or recommended.

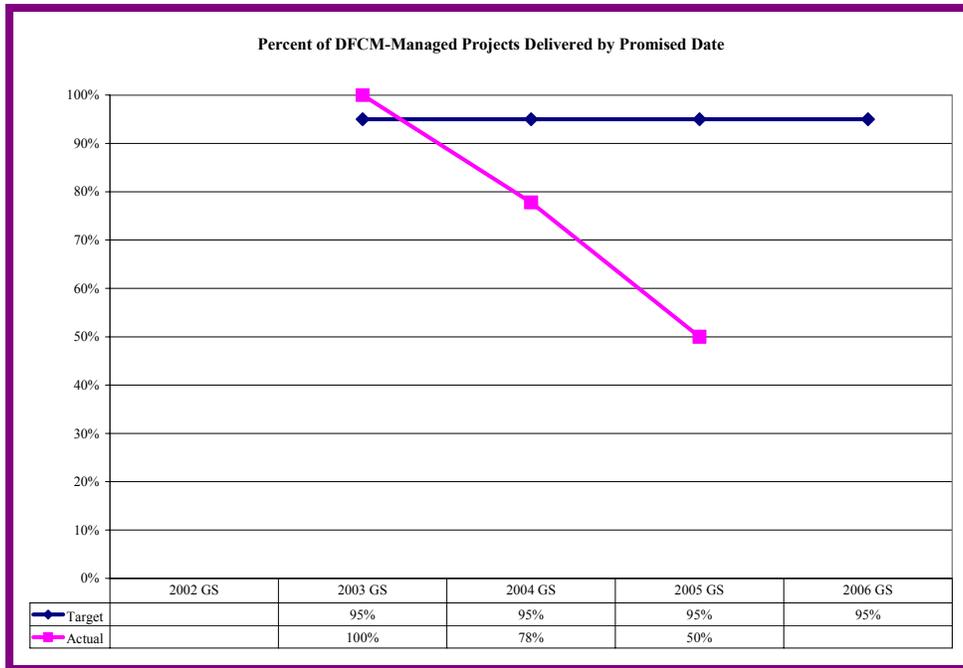
ACCOUNTABILITY DETAIL

Reserve Fund Balances



The Project Reserve Fund balance doesn't reflect a transfer of \$2.25 million to the DSC Health Sciences Building because that occurred in early FY 2007. It does reflect an FY 2006 transfer of \$2.5 million to the SLCC Health Sciences Building. The PRF balance as of November 2006 is \$2.7 million. The 2006 Legislature transferred \$1.5 million from the Contingency Reserve Fund to the Project Reserve Fund effective FY 2006. Balances accrue in these funds only when projects come in under budget or when bids are lower than expected.

Percent of State-Funded Projects Delivered by Promised Date



In most instances DFCM is completing its projects by the promised date. While the chart makes the appearance that on-time delivery of buildings is declining, in reality it is too early to tell for the last two general sessions. Many of the projects authorized in the 2004 and 2005 General Sessions are still under construction or pending non-state funds. The 2005 G.S. result of 50% is based on only two buildings completed so far, the DNR Fire Management facility and the DNR Fish Experiment Station, which was three months late.

BUDGET DETAIL

The division recently opted to consolidate its programs within this line item to three (see “Programs” in the table on the following page). The change doesn’t affect delivery of programs, only how funds are accounted.

Budget Recommendation for FY 2008:

The Analyst recommends a total FY 2008 base appropriation of \$4,792,700, with \$2,424,400 from the General Fund. The Analyst also recommends the Legislature appropriate an additional \$1,500,000 in one-time General Funds beginning in FY 2008 for energy efficiency projects in existing state buildings.

LEGISLATIVE ACTION

The Analyst recommends the Legislature adopt:

1. A total FY 2008 base appropriation of \$4,792,700 for the DFCM Administration line item.
2. An increased appropriation of \$1,500,000 in one-time General Funds for energy efficiency projects.

BUDGET DETAIL TABLE

| Administrative Services - DFCM Administration | | | | | | |
|--|--------------------|---------------------|-----------------|--------------------|-----------------|--------------------|
| | FY 2006 | FY 2007 | | FY 2007 | | FY 2008* |
| Sources of Finance | Actual | Appropriated | Changes | Revised | Changes | Base Budget |
| General Fund | 1,198,300 | 2,424,400 | 0 | 2,424,400 | 0 | 2,424,400 |
| General Fund, One-time | 0 | (6,200) | 0 | (6,200) | 6,200 | 0 |
| Dedicated Credits Revenue | 108,800 | 233,900 | 58,400 | 292,300 | 29,600 | 321,900 |
| Capital Project Fund | 1,638,100 | 1,764,100 | 0 | 1,764,100 | 0 | 1,764,100 |
| Project Reserve Fund | 200,000 | 200,000 | 0 | 200,000 | 0 | 200,000 |
| Contingency Reserve Fund | 1,180,200 | 82,300 | 0 | 82,300 | 0 | 82,300 |
| Lapsing Balance | (53,400) | 0 | 0 | 0 | 0 | 0 |
| Total | \$4,272,000 | \$4,698,500 | \$58,400 | \$4,756,900 | \$35,800 | \$4,792,700 |
| Programs | | | | | | |
| DFCM Administration | 4,061,900 | 3,422,600 | 940,700 | 4,363,300 | 6,200 | 4,369,500 |
| Preventive Maintenance | 0 | 194,800 | (194,800) | 0 | 0 | 0 |
| Governor's Residence | 101,300 | 101,300 | 0 | 101,300 | 0 | 101,300 |
| CADD Services | 0 | 132,900 | (132,900) | 0 | 0 | 0 |
| Energy Program | 108,800 | 233,900 | 58,400 | 292,300 | 29,600 | 321,900 |
| DFCM HazMat | 0 | 103,700 | (103,700) | 0 | 0 | 0 |
| Roofing and Paving | 0 | 509,300 | (509,300) | 0 | 0 | 0 |
| Total | \$4,272,000 | \$4,698,500 | \$58,400 | \$4,756,900 | \$35,800 | \$4,792,700 |
| Categories of Expenditure | | | | | | |
| Personal Services | 3,488,900 | 3,927,800 | (66,400) | 3,861,400 | 27,000 | 3,888,400 |
| In-State Travel | 104,400 | 82,300 | 28,900 | 111,200 | 0 | 111,200 |
| Out of State Travel | 10,000 | 15,900 | (1,300) | 14,600 | 0 | 14,600 |
| Current Expense | 342,500 | 409,800 | (27,300) | 382,500 | 0 | 382,500 |
| DP Current Expense | 311,600 | 262,700 | 117,500 | 380,200 | 8,800 | 389,000 |
| DP Capital Outlay | 14,600 | 0 | 7,000 | 7,000 | 0 | 7,000 |
| Total | \$4,272,000 | \$4,698,500 | \$58,400 | \$4,756,900 | \$35,800 | \$4,792,700 |
| Other Data | | | | | | |
| Budgeted FTE | 44.0 | 46.0 | (1.0) | 45.0 | 0.0 | 45.0 |
| Actual FTE | 43.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Vehicles | 9.0 | 9.0 | 0.0 | 9.0 | 0.0 | 9.0 |

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