1.30.25 | Seán Faherty, Finance Manager, LFA

DFCM Project and Fund Management Recommendations

Background:

In preparation for the 2025 General Session, the Legislative Fiscal Analyst's Office (LFA) and the Governor's Office of Planning and Budget (GOPB) worked extensively with the Utah Division of Facilities Construction and Management (DFCM) to review the final budget for FY 2024, the projected budget for FY 2025 and the upcoming budget for FY 2026.

In this review process, this group has been able to identify areas of improvement. These areas include but aren't limited to transparency of project funds and transfers of surplus funds.

The Analyst's Office has worked with DFCM to develop a number of recommendations to ensure transparency and accountability across all funds to allow for sound management of appropriations and reporting of outcomes.

Proposed Solutions:

1. Create Unique Capital Projects Line Items – These line items would apply to State Projects, Higher Education Projects, Public Education Projects, ect. The intent of this is to ensure each type of project funded by the Legislature would have its own separate and unique line item so that funding and expenditures can be tracked and accounted for at the program level to increase transparency.
    a. Lettered line items (operating and capital budget) will only show fixed funding appropriations for a discreet purpose with only fixed funding sources of finance and only an expenditure transfer as the category of expenditure. No beginning or closing balances.
    b. Numbered appropriation units (capital projects funds) should reflect the amount transferred to them via appropriation – plus any other sources (interest, bond proceeds, etc.) and match FINET fund close-out report.
2. Increase oversight of transfers between Line Items/Programs – While we recognize the need for DFCM to have flexibility when managing its budget, they should not transfer appropriations between funds or line items without prior approval.
    a. DFCM should work with the Division of Finance, the LFA and GOPB about how to change cash management procedures in order to promote better transparency and allow for easier review of projects in progress, no matter their stage.
    b. Create separate capital projects funds (numbered) for each line item (lettered) as stated in solution 1 above.
    c. DFCM must not transfer or comingle money from separate operating and capital (lettered) line items in a single capital projects fund without an appropriation authorizing such from the legislature.

3. Improved Reporting – DFCM will better utilize, and work with LFA to share access to, their internal project management system and to develop a system for reporting any funding changes or needs to the Legislature as the need arises. The Analyst recommends that DFCM notify the Chairs of the Executive Appropriations Committee and the Chairs of the Transportation and Infrastructure Appropriations Committee within 30 days of transfers of any appropriations between project line items.