



LEGISLATIVE
FISCAL
ANALYST



Accountable Process Budget Review June 2026 Preliminary Analysis, Phase 1 of 3

Sean Faherty

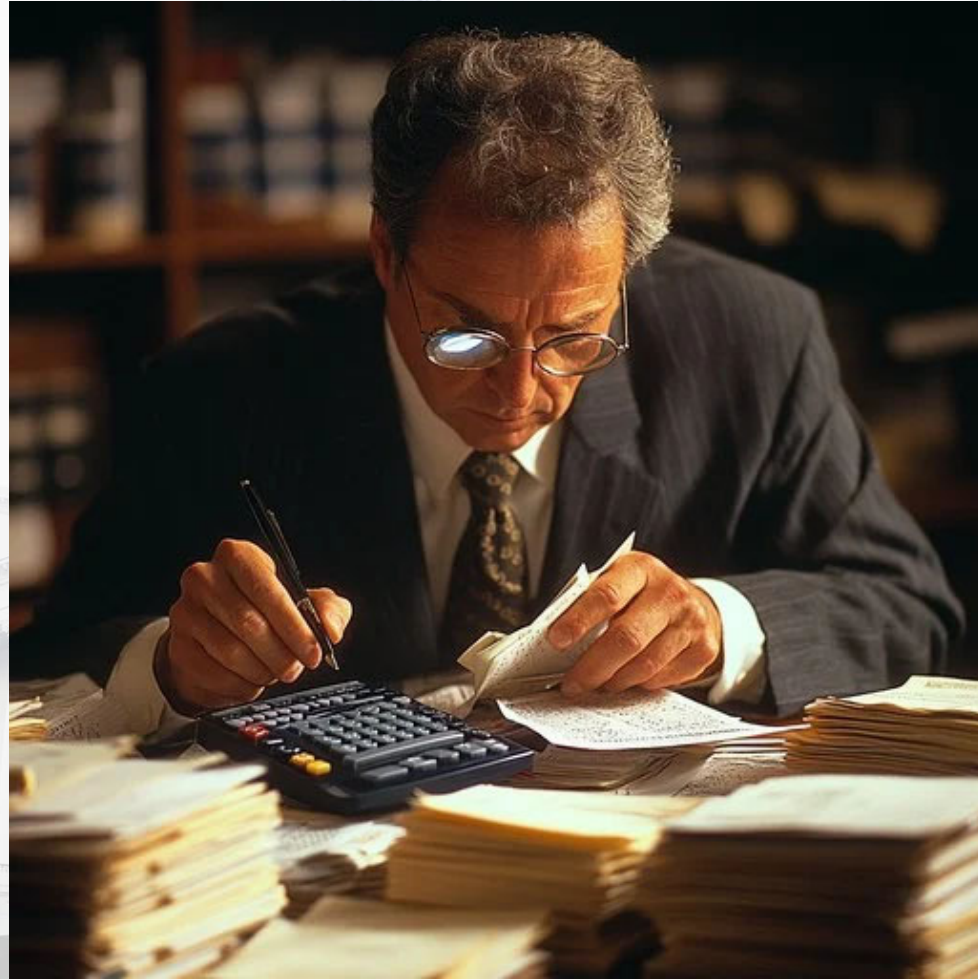
June 16, 2026

Overview: House Joint Resolution 18

- [HJR 18](#) Originally passed during the 2019 General Session
- Requires each appropriations subcommittee to create an accountable budget process
- Approximately 20 percent of each subcommittee's budget is to be reviewed in depth each interim
- All areas will be reviewed in depth every five years
- Each subcommittee is charged with creating a separate section of the base budget bill for the 20 percent reviewed each interim
- 2024 General Session changes: (1) [H.J.R. 12](#) (annual review of nonlapsing appropriations) and (2) [S.B. 296](#) (performance measure review)



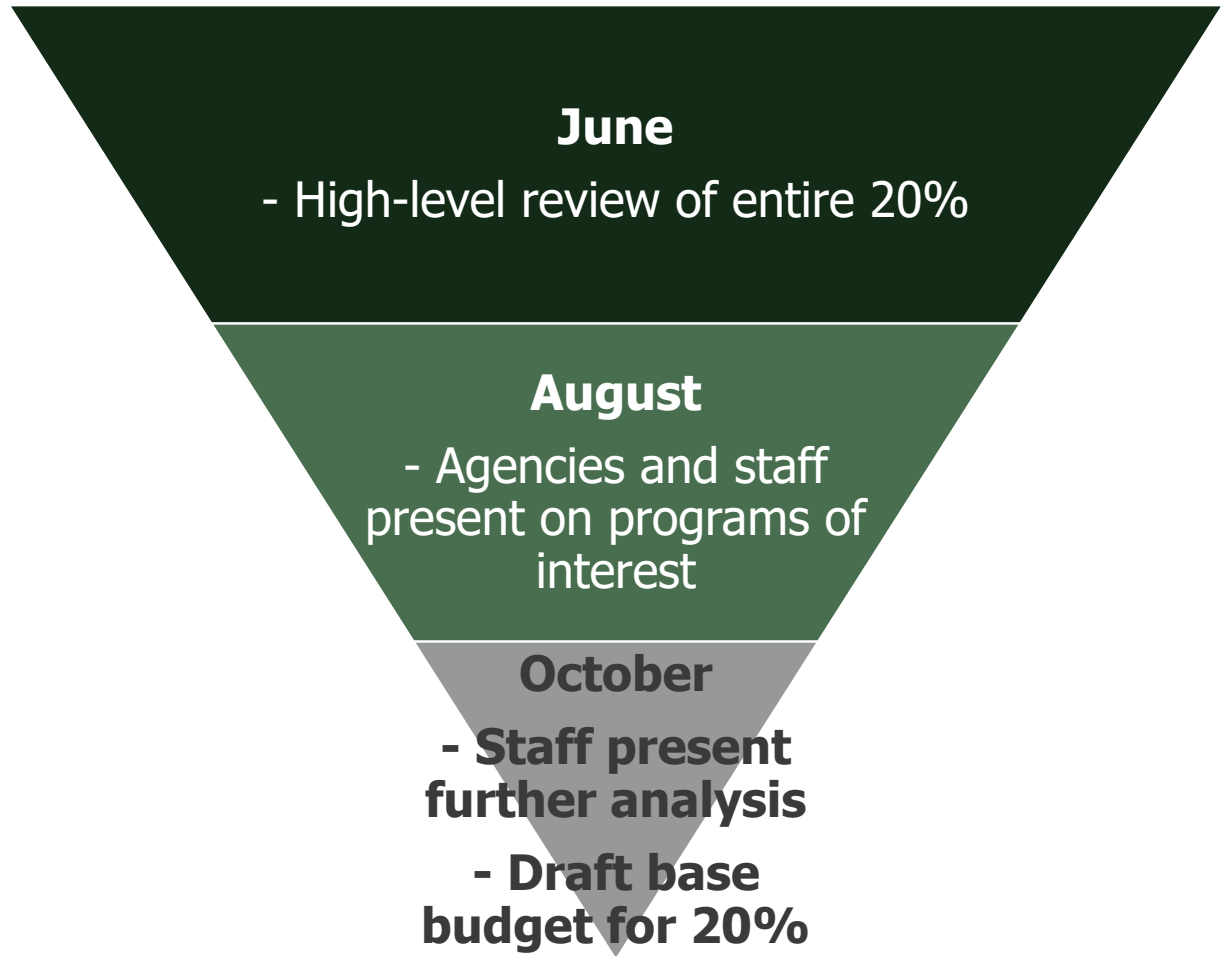
Welcome to
Budget Nerd
Bliss!



2025	2026	2027	2028	2029
	UETN (Whole Agency)			
DFCM Pass-Through	GOV Ops - ISF - Facilities Management	DFCM Capital Improvements	DFCM Capital Development - Other State Gov	DFCM Capital Development - Public Ed.
DFCM Property Acquisition				Gov Ops - DFCM Admin
UDOT Budget Restructure	UDOT- Operations and Maintenance Management	Department of Transportation – Highway Systems Construction & Engineering Services	UDOT- Aeronautics & other non-Transportation Fund	UDOT – TIF/ TIF Capacity Program
TRE - Navajo Trust Fund	TRE - Advocacy Office	TRE - Unclaimed Property	TRE - Debt Service	TRE - State Treasurer



Transportation and
Infrastructure
Appropriations
Subcommittee
Approach



What Budget
Areas Are We
Reviewing This
Year?

DFCM Facilities Management ISF



division of
**Facilities Construction
and Management**



Creation of the Department of Government Operations

- During the 2021 General Session, the Legislature passed [S.B. 181](#) “Department of Government Operations” which combined the Department of Administrative Services, the Department of Human Resource Management, and the Department of Technology Services into one larger Department, the Department of Government Operations.



Creation of the Department of Government Operations (cont'd)

- This Department is further divided into the following Divisions:
 - Administrative Rules;
 - Archives & Records Service;
 - Facilities Construction and Management;
 - Finance;
 - Fleet Operations;
 - Human Resource Management;
 - Purchasing & General Services;
 - Risk Management;
 - Technology Services; and
 - Utah Geospatial Resource Center.



Division of Facilities Construction and Management (DFCM) Background

- DFCM Mission Statement:
 - DFCM provides professional services to assist State entities in meeting their facility needs for the benefit of the public.
- The Utah Division of Facilities Construction and Management (DFCM) was established in 1981. DFCM is comprised of 254 full-time employees across the State who maintain state-owned buildings, manage construction projects, inspect buildings, facilitate real estate acquisitions and manage leases, and provide a range of other support services for facilities and construction management.



Division of Facilities Construction and Management (DFCM) Background (cont'd)

- DFCM has jurisdiction over 3,785 buildings across the State. These include state agency buildings; all of higher education which includes universities, community colleges, and technology colleges; and the Utah State Fair Park.
 - These buildings have a combined estimated worth of over 12 billion dollars.
 - Over 9,384,632 square feet of managed space
- DFCM:
 - Is responsible for all aspects of construction and on-going maintenance of state buildings;
 - Develops recommendations for capital development projects and oversees the allocation of capital improvement funds;
 - Oversees all non-higher education and non-judicial branch leases; and
 - Controls the allocation of State-owned space.



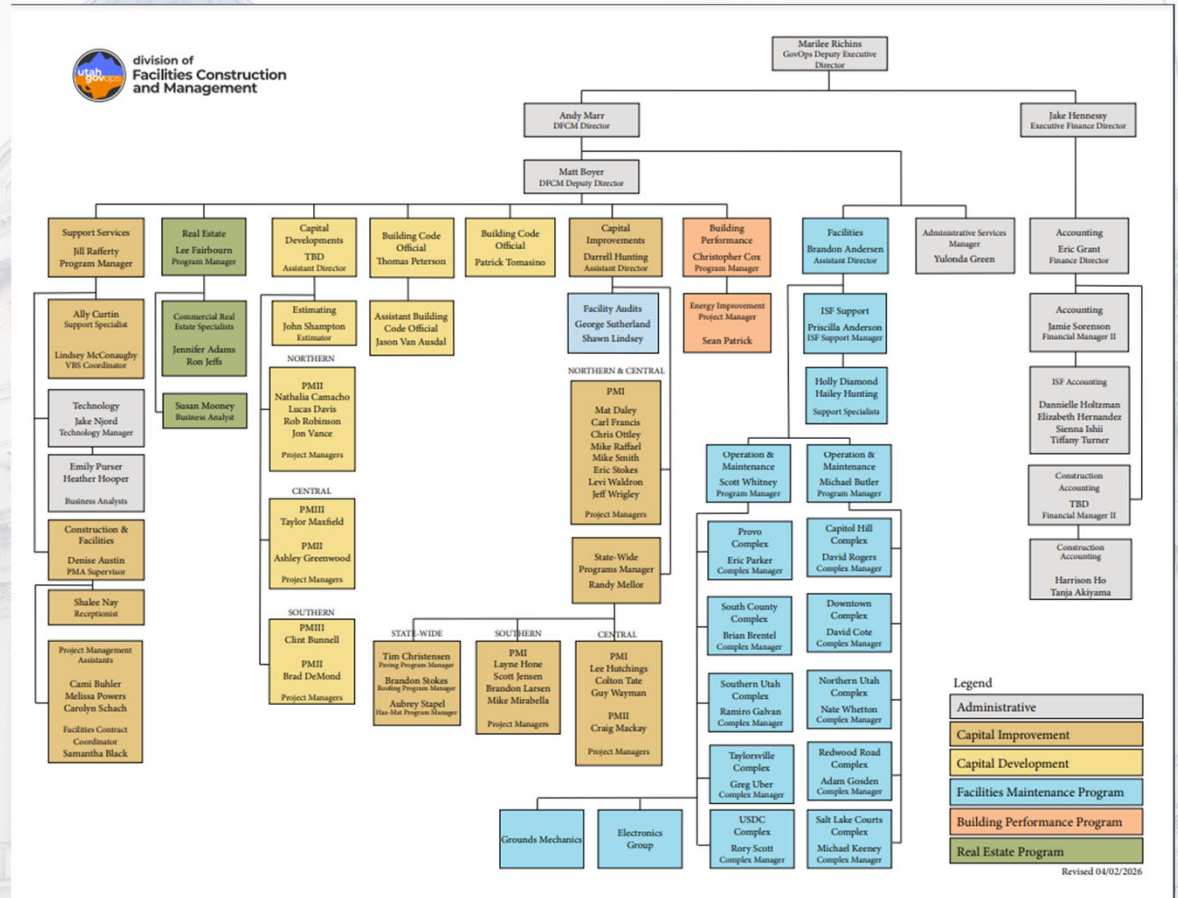
Division of Facilities Construction and Management (DFCM) Background (cont'd)

- During the 2022 General Session, [S.B. 22 State Facilities Management Amendments](#) was passed which included the following provisions:
 - Eliminated the State Building Board which had been tasked with reviewing, scoring and making recommendations to the Legislature regarding the funding of capital projects;
 - These responsibilities were then passed to DFCM and beginning in FY 2024, the Division now compiles capital development requests from agencies and institutions of higher education that compete for state funding.
 - DFCM compiles all these requests together and publishes it as part of the 5-year Building Program Summary which can be found here:
 - <https://dfcm.utah.gov/about-us/five-year-building-program/>



DFCM Org Chart

Source: https://dfcm.utah.gov/wp-content/uploads/DFCM_Org_Chart.pdf



Legend

Administrative
Capital Improvement
Capital Development
Facilities Maintenance Program
Building Performance Program
Real Estate Program

Revised 04/02/2026



DFCM Budget Structure

Division:	Capital Budget (DFCM)
Line Item	Capital Development - Higher Education
Line Item	Capital Development - Other State Government
Line Item	Capital Development - Public Education
Line Item	Capital Development Fund
Line Item	Capital Improvements
Line Item	DFCM Capital Projects Fund
Line Item	Higher Education Capital Projects Fund
Line Item	Long-Term Capital Projects Fund
Line Item	Olympic and Paralympic Venues Grant Fund
Line Item	Pass-Through
Line Item	Property Acquisition
Line Item	Public Education Capital Development Fund
Line Item	SBOA Capital Projects Fund
Line Item	State Agency Capital Development Fund
Line Item	Technical Colleges Capital Projects Fund
Line Item	ISF - Facilities Management



DFCM FTE and Staffing

- Internal Service Fund - 168 employees
- Other DFCM - 86 employees
- **Total - 254**

○ Source: <https://cobi.utah.gov/2026/1/overview>



ISF – Facilities Maintenance Fees

- ISF Charge Amounts can be found in the ISF/Fees bill passed by the legislature each year:
 - FY 2024 Fees Bill: <https://le.utah.gov/~2023/bills/static/SB0008.html>
 - FY 2025 Fees Bill: <https://le.utah.gov/~2024/bills/static/HB0008.html>
 - FY 2026 Fees Bill: <https://le.utah.gov/~2025/bills/static/SB0008.html>
 - FY 2027 Fees Bill: <https://le.utah.gov/~2026/bills/static/HB0008.html>



ISF – Facilities Maintenance Fees (cont'd)

- FY 27 Amounts can be found starting on page 273 of HB 8 (2026 GS):

9258	Division of Facilities Construction and Management -	
9259	Facilities Management	
9260	ISF - Facilities Management	
9261	DCFS Sandy Building	421,139.32
9262	Electric Vehicle Level 2 Charging Session (per session)	1.00
9263	Electric Vehicle Level 2 Charging Energy (per kWh)	0.08
9264	Electric Vehicle Level 2 Idling (per minute after 15-minute grace)	0.25
9265	Capitol Hill Complex	
9266	Capitol Hill Complex	5,152,052.07
9267	DABS	
9268	Alcoholic Beverage Services Stores	2,754,414.00
9269	Downtown Complex	
9270	Heber M. Wells Building	1,400,162.27
9271	DWS Administration	869,317.00
9272	DWS Metro	351,816.41
9273	DWS Central 1385 South State	608,430.70
9274	Rio Grande Depot	244,431.35
9275	AP&P Downtown - Freemont	272,611.76
	- 273 -	

H.B. 8		Enrolled Copy
9276	Office of Education	535,309.00
9277	Utah Arts Collection	43,900.00
9278	Archives Building	166,335.00
9279	Highland Dr Regional Center	710,695.01
9280	SLC VA Nursing Home	40,667.90
9281	Compass Data	



ISF – Facilities Maintenance Fees (cont'd)

- How are facility fee amounts determined?
 - Each fee is the projected actual cost for utilities, materials, employee salaries plus projected increases that are developed by the facilities finance team.
- Projected Increases:

Expense Category	SFY 2028 vs 2026
Natural Gas	22.1%
Electricity	7.1%
Water Supply/Sanitation	12.4%
Other Utilities	11.0%
Government Goods & Services	5.4%



ISF Facilities Management - Authority

- State Statute:
 - [UCA-63A-1-109.5](#)

Home Utah Code Title 63A Chapter 1 Part 1 Section 109.5 Historical Code

<< Previous Section (63A-1-109) Download Options PDF | RTF | XML Next Section (63A-1-111) >>

Index Utah Code
Title 63A Utah Government Operations Code
Chapter 1 Department of Government Operations
Part 1 General Provisions
Section 109.5 Department authority to operate the department, a division, or an office as an internal service fund agency. (Effective 5/7/2025)

Effective 5/7/2025
63A-1-109.5. Department authority to operate the department, a division, or an office as an internal service fund agency.

(1) Subject to Subsection (2), Section 63A-1-114, and provisions governing internal service funds or internal service fund agencies under Title 63J, Chapter 1, Budgetary Procedures Act, the department may:

- (a) operate the department as an internal service fund agency; or
- (b) operate a division or office described in Section 63A-1-109 as an internal service fund agency.

(2) (a) The department may only operate the department as an internal service fund agency for the purpose of providing a service related to the enterprise business management system.

(b) If the department operates the department as an internal service fund agency in accordance with this section, the department shall, before charging a rate, fee, or other amount for a service provided by the department's internal service fund to an executive branch agency, or to a subscriber of services other than an executive branch agency:

- (i) submit the proposed rate, fee, or other amount and cost analysis to the rate committee established in Section 63A-1-114; and
- (ii) obtain the approval of the Legislature as required under Section 63J-1-410.

Amended by Chapter 350, 2025 General Session



DFCM Facilities ISF: Appropriations FY22 through FY27

Fiscal Year	Source:				Appropriation Amount
	Dedicated Credits	Other	Beginning Nonlapsing	Closing Nonlapsing	
2022 Actuals	\$38,373,400	\$0	\$5,655,500	(\$5,619,300)	\$38,409,600
2023 Actuals	\$38,590,900	\$0			\$38,590,900
2024 Actuals	\$41,735,100	\$0	\$576,400	(\$2,678,800)	\$39,632,700
2025 Actuals	\$41,083,700	\$500	(\$3,761,300)		\$37,322,900
2026 Rev.	\$41,740,200	\$7,600,000	\$0	\$0	\$49,340,200
2027 Appropriated	\$41,740,200	\$0	\$0	\$0	\$41,740,200



DFCM Facilities ISF: Expenditures FY22 through FY27

Fiscal Year	Source:							Appropriation Amount
	Personnel Services	In-State Travel	Out of State Travel	Current Expense	DP Current Expense	Capital Outlay	Other Charges/Pas s Through	
2022 Actuals	\$11,900,100	\$28,200	\$200	\$25,238,800	\$704,400	\$31,000	\$506,900	\$38,409,600
2023 Actuals	\$13,639,200	\$30,400	\$900	\$28,930,800	\$872,500	\$119,500	\$147,500	\$43,740,800
2024 Actuals	\$14,480,100	\$31,900	\$0	\$24,391,300	\$511,100	\$0	\$218,300	\$39,632,700
2025 Actuals	\$15,997,300	\$17,500	\$400	\$20,259,000	\$696,400	\$26,800	\$325,500	\$37,322,900
2026 Rev.	\$13,330,300	\$2,300	\$0	\$35,138,700	\$595,100	\$32,600	\$241,200	\$49,340,200
2027 Appropriated	\$13,330,300	\$2,300	\$0	\$27,538,700	\$595,100	\$32,600	\$241,200	\$41,740,200



How are the funds spent?

- Expenditures are generally in the following categories:
 - Personnel
 - Materials
 - Utilities (water, electric, gas, etc.)
 - Service contracts (janitorial, refuse, maintenance contracts)
 - Landscaping



DFCM Facilities ISF: Retained Earnings Deficit

- Beginning FY23 with a \$5.6M retained earnings balance, DFCM assisted agencies with projects, increased compensation, funded the customer request portal, upgraded essential radio equipment, and launched a strategic plan.
- The net loss in FY24 was \$4,278,424 and FY25 was \$5,083,972. Total revenues increased from FY24 to FY25 by \$872,358 and total expenses increased from FY24 to FY25 by \$1,677,906. The retained earnings deficit was \$8,845,242 at the end of FY25.

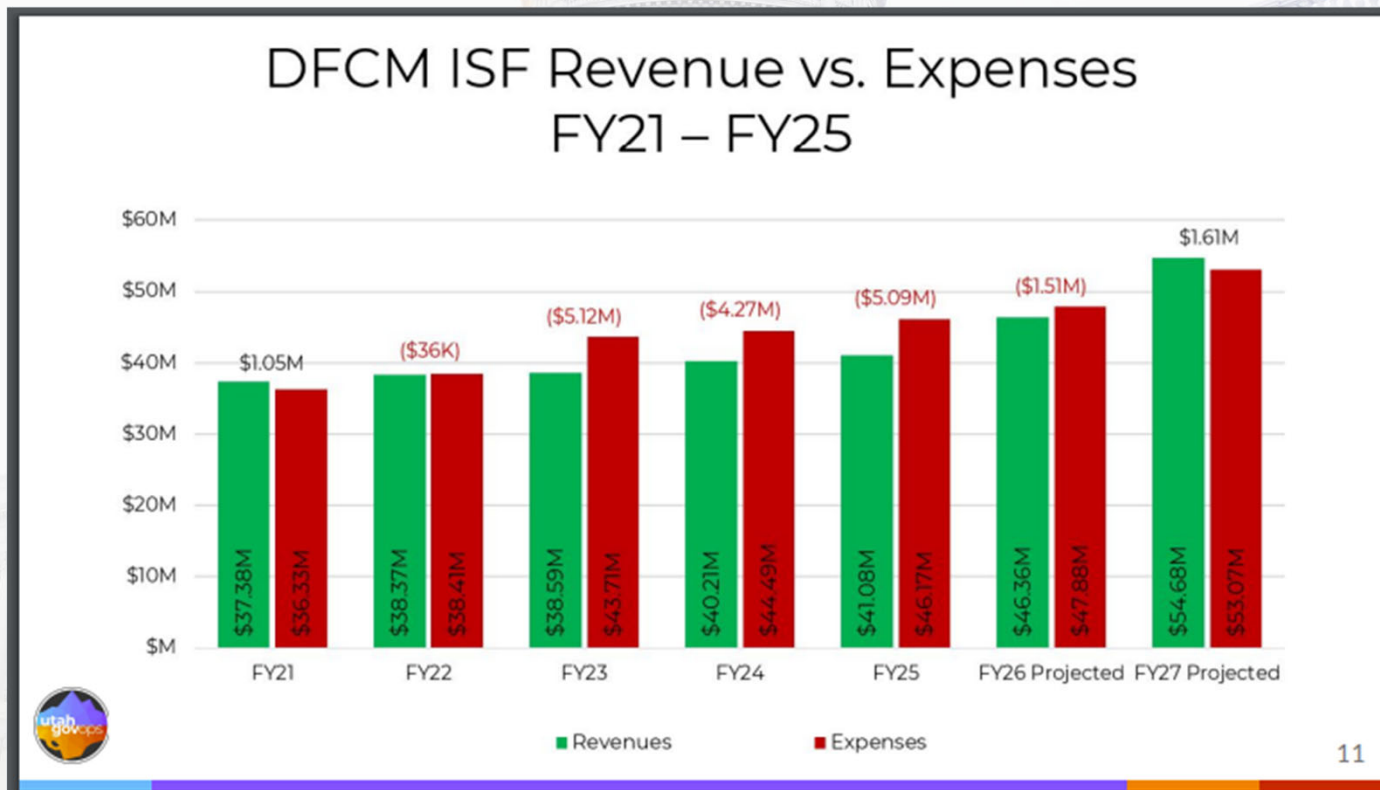


DFCM Facilities ISF: Retained Earnings Deficit

- Primary drivers of increased costs were personnel expense, utilities expense (excluding natural gas), and insurance expense. The increased costs were partly offset by decreased janitorial expense, decreased building/grounds maintenance expense, and decreased natural gas expense.
- It is important to note as well that there were 3 fiscal years with pay for performance increases for employees that were not funded via the appropriations process.



DFCM Facilities ISF: Retained Earnings Deficit



DFCM Facilities ISF: Retained Earnings Deficit

Contributors to Retained Earnings Deficit

YEAR	CONTRIBUTING FACTOR	COST
FY23	Personnel Expenses (Including Wages, COLA, PFP, Benefits, etc.)	\$1,798,000
FY23	Janitorial Services	\$654,000
FY23	Buildings & Grounds - Supplies, Maint & Repairs	\$1,012,000
FY23	Household Laundry & Janitorial Supplies	\$118,000
FY23	Utilities - Natural Gas	\$960,000
FY23	Utilities - Electricity	\$331,000
FY23	Insurance	\$277,000
FY23	Data Processing Charges	\$101,000
FY23	Vacant Space (leases terminated)	\$667,000
FY24	Personnel Expenses (Including Wages, COLA, PFP, Benefits, etc.)	\$1,261,000
FY24	Security	\$688,000
FY24	Other Small Equipment & Supplies	\$235,000
FY24	Utilites - Water	\$114,000
FY24	Insurance	\$455,000
FY24	Data Processing Charges	\$128,000
FY24	Vacant Space (leases terminated)	\$574,000
FY25	Personnel Expenses (Including Wages, COLA, PFP, Benefits, etc.)	\$1,038,000
FY25	Insurance	\$2,082,000
FY25	Utilities - Electricity	\$844,000
FY25	Utilities - Water	\$187,000
FY25	Utilites - Sewer	\$132,000
FY25	Vacant Space (leases terminated)	\$411,000
Total		\$14,067,000



DFCM Facilities ISF: Nonlapsing Balance and Authority

- The ISF has nonlapsing authority to allow it to carry funds from year to year based on fluctuations in spending and needs
 - For example, snow removal costs fluctuate and the agency is looking at modeling them in a new way looking at 5-year averages to smooth out impacts.
- The ISF model allows for retained earnings to be carried forward to apply to other costs that may fluctuate and cannot be accounted for within the rate structure in a timely manner.
 - For example, if a utility notifies DFCM of a rate increase in July 2026, the rate cannot be adjusted until July of 2027.



DFCM Facilities ISF: Rate Setting Challenges

- Current rate-setting process does not capture market fluctuations;
- There is an 18-month window between forecasting and capture of revenues which allows for a lot of variables in the meantime;
 - This is especially true for energy cost increases
- Vacant Space – When agencies leave their space, DFCM cannot collect fees for managing it, but it remains a fixed cost.
 - How can the rates be more reactive to vacated or filled space?



Facilities Management ISF - Delegated Authority

- Delegation is approved for two-year periods.
- Agencies can have full or partial delegation for maintenance.
 - Full delegation gives the agency total responsibility for all facilities.
 - Partial gives the agency responsibility for some of their facilities, and DFCM responsibility for some. Those that DFCM manages are listed on each agency's agreement.
 - In order for agencies to remain in good standing, they are required to comply with DFCM facility maintenance standards and they are audited against those standards.



Facilities Management ISF - Delegated Authority

- DFCM delegates authority for the construction and maintenance of buildings at certain agencies as follows:
 - Utah Department of Transportation
 - Department of Natural Resources
 - Juvenile Justice and Youth Services within the Department of Health and Human Services
 - Utah National Guard
 - Utah Department of Corrections – Prisons
 - K-12 school Districts (new with the passage of [S.B. 164](#) in the 2026 GS)
 - Higher Education



Facilities Management ISF - Performance Metrics

- “...The Legislature intends that the Department of Government Operations - DFCM report on the following Division of Facilities Construction and Management – Facilities Management line item performance measure for FY 2027: Maintenance Costs per Square Foot as Compared to the Private Sector (Target = 18%).”



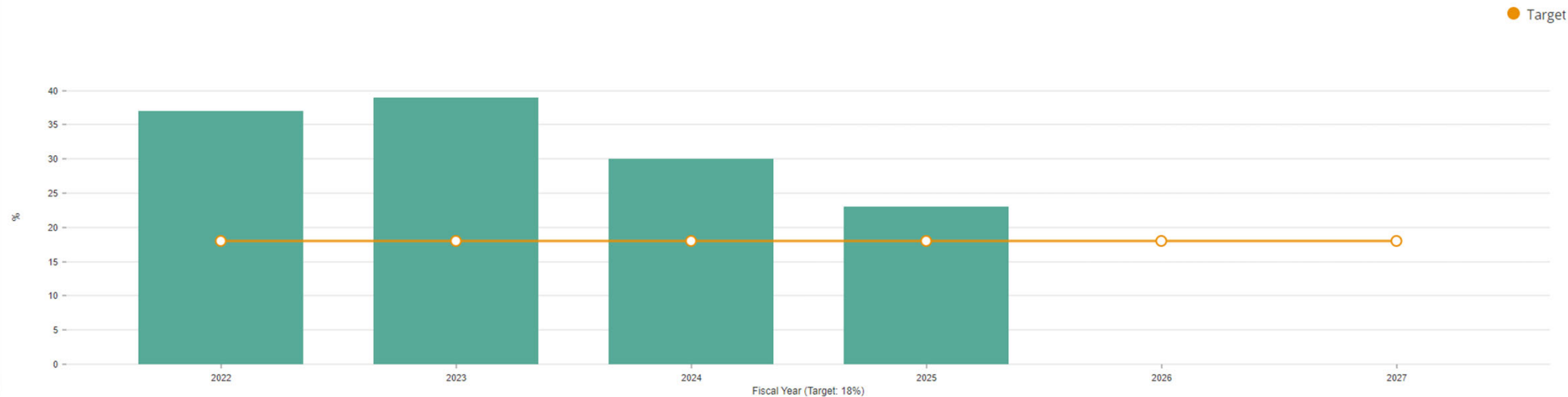
Facilities Management ISF - Performance Metrics

Maintenance Costs per Square Foot as Compared to the Private Sector

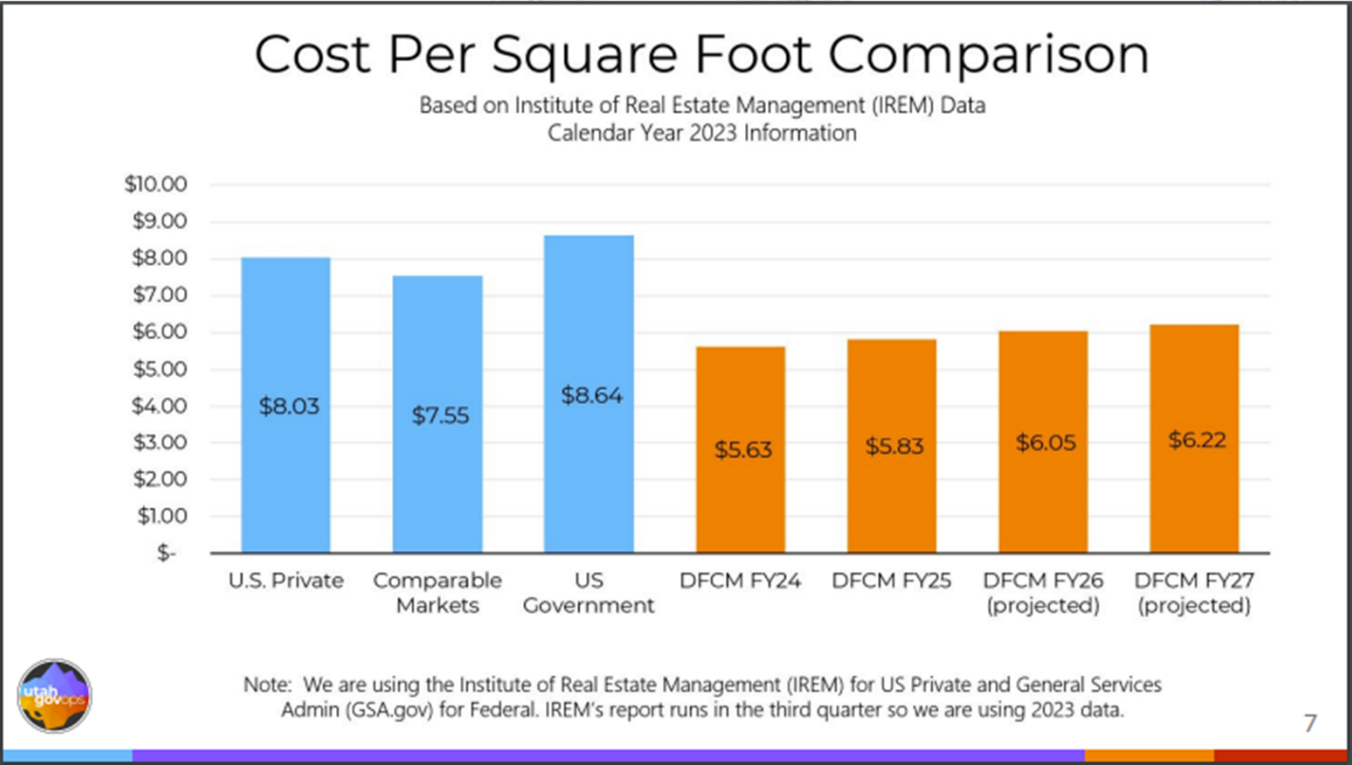
This measures if the average maintenance cost per square foot is less than the costs in the private sector.

Additional Context:

- FY 2025: Greater than or equal to 18% less than the private market.
- FY 2024: Greater than or equal to 18% less than the private market.
- FY 2023: Greater than or equal to 18% less than the private market.
- FY 2022: 37.02%



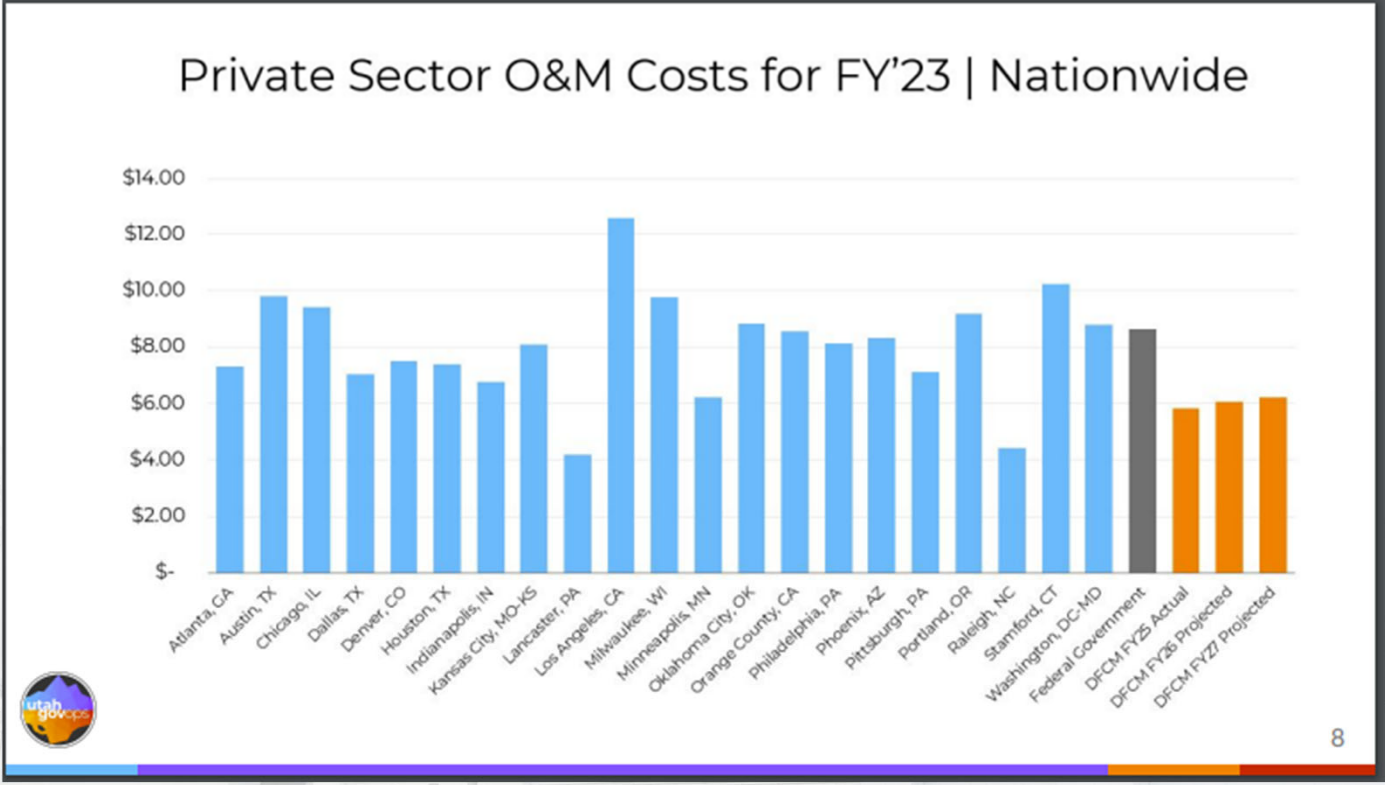
Facilities Management ISF - Cost per Square Foot



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Facilities Management ISF - Cost per Square Foot



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DFCM Suggestions for the Facilities Management ISF

- Legislative suggestions for this program:
 - Appropriate dedicated funds for vacant space management;
 - Develop a new rate-setting process to account for more frequent rate adjustments based on market conditions;
 - Approve authority to include reserve increments in rates; and
 - Create a State Facilities Contingency Fund Reserve.



What would DFCEM do with increased Appropriations for the ISF?

- If additional funding was appropriated on top of ISF earnings, the Division would:
 - Expand service offerings for client agencies;
 - Reduce deferred maintenance backlogs;
 - Invest in long-term programmatic elements like flooring, door hardware, building automation and security improvements, among others.



What would the impacts be for reduced funding

- If funding was reduced for this program, the levels of services provided would be reduced due to the inability to retain personnel.
 - Quality of building maintenance and response time would also suffer.



Facilities Management ISF - Additional Study Topics

- Follow up on agency legislative suggestions.
 - New rate-setting process
 - Timing for rate changes during the fiscal year
 - Others
- Develop suggestions for funding to support space utilization and vacant space mitigation
- Speak with agencies about their experience with DFCM and get their feedback about rates and ISF structure.



Questions?



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