

Fiscal Highlights

In-depth Budget Review: Off-budget Funds and Operations - Russell T. Frandsen

While Utah consistently ranks among the best managed states, legislators recognize that there is always room for improvement. They also know financial transparency and accountability are hallmarks of good government. In this vein, they have undertaken a number of initiatives to better define, coordinate, analyze, and report state finances.

The most recent effort in this regard was the [in-depth budget review](#) conducted by the Office of the Fiscal Analyst. The 426-page report inventories 457 state funds, operations, and tax incentives that are not currently included in the appropriations process and makes individual recommendations for each of these "off-budget" items. Those recommendations fall into six broad categories:

- Close 35 funds and deposit \$393,100 into the General Fund;
- Include \$70,824,200 in financial activity and \$606,375,400 in fund balances from 53 funds and operations in the appropriations process, and modify the Budgetary Procedures Act so that they are appropriately included in the Governors budget;
- Refer 45 funds to subcommittees to consider statute changes;
- Request the executive branch make changes to 18 funds and provide additional expenditure detail;
- Include seven funds in annual presentations to the Executive Appropriations Committee, including a new presentation on long-term liabilities and other material risks; and,
- Ask seven organizations to report annually to the Retirement and Independent Entities Appropriations Subcommittee.

The report contains a one-page summary for each individual fund or operation. The summary page has a red/yellow/green "stoplight" indicator for most funds and operations. It also describes the funds or operations purpose; reviews its current accountability mechanisms; graphs its revenue, expenses, and balance information; and makes fund or operation specific recommendations where applicable.

In addition to these fund and operation specific recommendations, staff from the Office of the Legislative Fiscal Analyst discovered a number of potential process improvements. The Fiscal Analyst recommends the following five changes to statute and the budget process:

- Extend the \$30,000 revenue-generating requirement to all donation funds;
- Direct the Division of Finance to review \$9 million in stagnant fund balances;
- Broaden the scope of the annual "Preliminary Fund Balance Report;"
- Change the legislative drafting instructions for bills that create or modify funds; and,
- Include \$1.8 billion in tax credits in the annual appropriations review.

The Fiscal Analyst believes that these recommendations will significantly increase transparency of and accountability for \$33.5 billion in financial activity and \$45.1 billion of balances for "off-budget" funds and operations. For the full report, please visit <http://le.utah.gov/interim/2013/pdf/00004070.pdf>.