

Budget Brief – DAS Division of Finance - Mandated

NUMBER CFGO-07-10

SUMMARY

Each year the Legislature funds items that impact several agencies, solve problems that don't apply to any specific agency, or that pose a conflict of interest to agency management. For these programs, the Legislature directs the Division of Finance to administer payment as intended for each appropriation. In the past, the Legislature funded Y2K, critical land issues, and inmate issues by placing the funds in dedicated accounts managed by the Division of Finance.

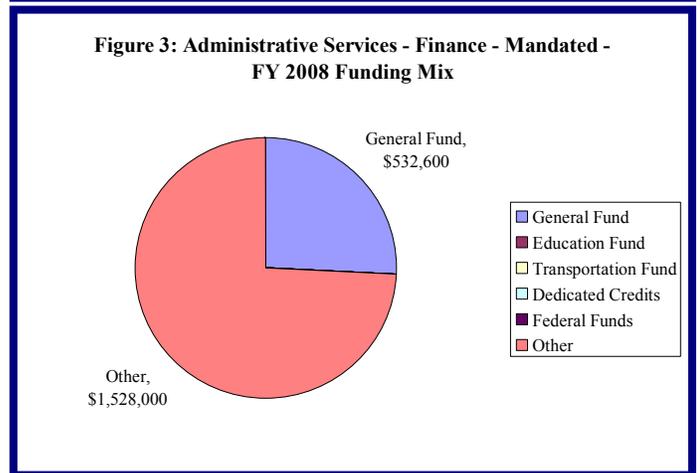
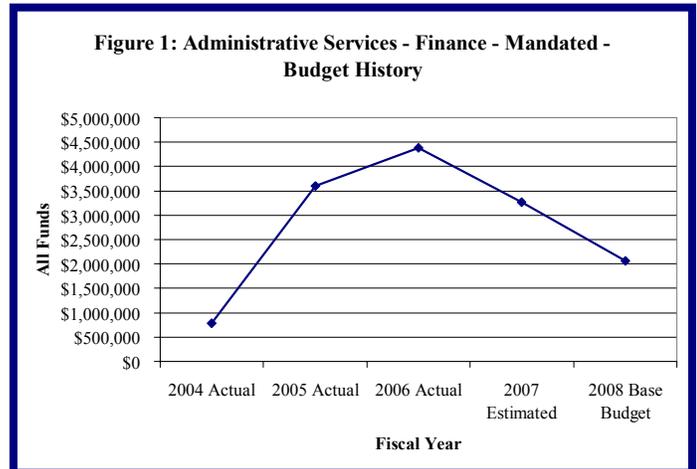
The Division of Finance manages expenditures as provided in appropriations acts for each program, but is not empowered to make policy decisions regarding funding in the mandated sections.

This line item currently has three programs with an ongoing budget – the LeRay McAllister Critical Land Conservation Fund, Development Zone Partial Rebates, and Retirement Benefits Administration.

ISSUES AND RECOMMENDATIONS

Eliminate funding for Retirement Benefits Program

House Bill 213, "Unused Sick Leave at Retirement Amendments" (2005 G.S.) included a fiscal note of \$150,000 in one-time General Funds, plus \$50,000 in ongoing General Funds appropriated to the Division of Finance for pass-through to the Retirement Office to administer requirements of the new law. But to date no money has been spent, and the office does not plan to use it. They have raised sufficient revenues through their rates to cover their costs. The appropriations are nonlapsing, so until the Legislature takes action, they will remain in this program. The Analyst recommends lapsing or reallocating \$250,000 in one-time funds (appropriations from FY 2006 and FY 2007), and lapsing or reallocating \$50,000 in ongoing funds (FY 2008 base). Any reallocations by the subcommittee would be contingent on approval from the Executive Appropriations Committee.



	FY 2006	FY 2007	Base FY 2008	Total
Approp General Fund	\$50,000	\$50,000	\$50,000	
Approp General Fund 1-Time	\$150,000			
Funds Expended	\$0	\$0	\$0	\$0
Available Ongoing			\$50,000	\$50,000
Available 1-Time	\$200,000	\$50,000		\$250,000

LeRay McAllister Fund

The LeRay McAllister Fund went from a base appropriation of \$2,750,000 to \$482,600 during budget cuts. Since then the Legislature has opted to appropriate one-time funds (\$300,000 in the 2004 General Session, \$3,000,000 in the 2005 General Session and \$1,000,000 in the 2006 General Session). Since FY 1999, state funds have been matched by other grants at a 6.2 to 1 (state funds) ratio (see data below under “Accountability Detail”). These additional matching funds do not appear in the state budget but are part of the Quality Growth Commission’s grant process. The Analyst recommends the Legislature appropriate an additional \$2,000,000 in one-time General Funds in the 2007 General Session. The governor recommended \$1,000,000 ongoing and \$1,000,000 one-time.

Development Zone Partial Rebates

The Division of Finance is required by statute to make partial rebates from the Economic Incentive Restricted Account to certain industries which bring in new state revenues. Documentation is required from the Governor’s Office of Economic Development (GOED). Statute requires the account be used for any individual or company that enters into an agreement with GOED and has generated verifiable new state revenues. Partial rebates can only be paid on projects that are within an Aerospace and Aviation Development Zone. For more information please see UCA 63-38f-1303, 1305, and 1309.

The FY 2006 appropriation was \$981,900, of which \$929,500 lapsed back to the Economic Incentive Restricted Account. The FY 2007 appropriation was \$1,528,000, made during the 2006 Second Special Session, of which \$1,291,000 is expected to lapse. According to the Governor’s Office, companies may have been overly optimistic about the time it would take to meet their conditions. The Governor’s Office has requested re-appropriation of prior year lapsed funds plus a new \$1,719,000 for FY 2008, an increase of \$191,000 over the FY 2007 base. In total, the FY 2008 request is \$3,939,500.

The Economic Development and Revenue Appropriations Subcommittee determines the amount to fund, and then appropriates money from the General Fund into the Economic Incentive Restricted Account. At that point the Capital Facilities and Administrative Services Appropriations Subcommittee appropriates from the restricted account. The Analyst recommends appropriating the base budget of \$1,528,000 in FY 2008, then waiting for the Economic Development and Revenue Appropriations Subcommittee to decide what funds should be added to or taken from the base.

ACCOUNTABILITY DETAIL***Use of LeRay McAllister Funds since FY 1999***

Since FY 1999 the Quality Growth Commission has authorized 66 projects totaling \$14.9 million in McAllister Fund grants. Partners in open space preservation have contributed \$6.21 for every dollar of McAllister Fund grants.

Urban	<u>FY99-02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06 Award</u>	<u>Total</u>
Projects	14	3	6	6	5	34
Acreage	1,194.2	147.3	644.5	1,143.8	5,941.0	9,071
Grant	\$3,224,900	\$220,000	\$628,000	\$1,192,500	\$1,030,000	\$6,295,400
Match	\$11,022,800	\$250,000	\$2,312,000	\$17,675,100	\$9,667,900	\$40,927,800
Total	\$14,247,700	\$470,000	\$2,940,000	\$18,867,600	\$10,697,900	\$47,223,200
Match/Grant	3.42 to 1	1.14 to 1	3.68 to 1	14.82 to 1	9.39 to 1	6.5 to 1
Rural	<u>FY99-02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06 Award</u>	<u>Total</u>
Projects	15	2	3	8	4	32
Acreage	29,941.1	430.0	90.0	20,914.7	3,906.0	55,282
Grant	\$5,012,400	\$270,000	\$275,000	\$2,245,000	\$830,000	\$8,632,400
Match	\$25,294,600	\$1,770,000	\$870,500	\$13,095,000	\$10,688,200	\$51,718,300
Total	\$30,307,000	\$2,040,000	\$1,145,500	\$15,340,000	\$11,518,200	\$60,350,700
Match/Grant	5.05 to 1	6.56 to 1	3.17 to 1	5.83 to 1	12.88 to 1	5.99 to 1
Total	<u>FY99-02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06 Award</u>	<u>Total</u>
Projects	29	5	9	14	9	66
Acreage	31,135.3	577.3	734.5	22,058.5	9,847.0	64,352.5
Grant	\$8,237,300	\$490,000	\$903,000	\$3,437,500	\$1,860,000	\$14,927,800
Match	\$36,317,400	\$2,020,000	\$3,182,500	\$30,770,100	\$20,356,100	\$92,646,100
Total	\$44,554,700	\$2,510,000	\$4,085,500	\$34,207,600	\$22,216,100	\$107,573,900
Match/Grant	4.41 to 1	4.12 to 1	3.52 to 1	8.95 to 1	10.94 to 1	6.21 to 1

BUDGET DETAIL

Ongoing General Funds in this line item's FY 2008 base budget include \$482,600 in the LeRay McAllister Critical Land Fund and \$50,000 in the Retirement Benefits program. One-time General Funds of \$1,000,000 were appropriated to the LeRay McAllister Fund in FY 2007. In FY 2006 the division finalized a payment of \$4,000,000 in one-time funds to Salt Lake County for convention facilities. Closing nonlapsing funds in FY 2006 were Retirement Office unused appropriations.

The division has oversight of the Utah Navajo Trust Fund, but no appropriation is made to the fund.

Budget Recommendation for FY 2008

The Analyst recommends a total FY 2008 base appropriation of \$2,060,600, with \$532,600 coming from the General Fund. The Analyst also recommends an additional one-time appropriation of \$2,000,000 to the LeRay McAllister Fund for open space preservation. The Analyst further recommends an adjustment to the Economic Incentive Restricted Account appropriation based on a decision by the Economic Development and Revenue Appropriations Subcommittee.

Intent Language

The LeRay McAllister Fund is a restricted special revenue fund. As such, it can receive appropriations *into* the fund, but doesn't require appropriations for monies to be expended *out* of the fund. Since no appropriations are made for expenditures *out* of the fund, there is no appropriation to lapse and no intent language is necessary.

LEGISLATIVE ACTION

The Analyst recommends the Legislature adopt:

1. A total FY 2008 base appropriation of \$2,060,600 for the Division of Finance – Mandated line item.
2. A one-time appropriation increase of \$2,000,000 for the LeRay McAllister Fund.
3. An appropriation adjustment from the Economic Incentive Restricted Account as determined by the Economic Development and Revenue Appropriations Subcommittee.

BUDGET DETAIL TABLE

Administrative Services - Finance - Mandated						
Sources of Finance	FY 2006 Actual	FY 2007 Appropriated	Changes	FY 2007 Revised	Changes	FY 2008* Base Budget
General Fund	532,600	532,600	0	532,600	0	532,600
General Fund, One-time	0	1,000,000	0	1,000,000	(1,000,000)	0
GFR - Economic Incentive Restricted Acc	981,900	1,528,000	0	1,528,000	0	1,528,000
Beginning Nonlapsing	4,000,000	0	200,000	200,000	(200,000)	0
Closing Nonlapsing	(200,000)	0	0	0	0	0
Lapsing Balance	(929,500)	0	0	0	0	0
Total	\$4,385,000	\$3,060,600	\$200,000	\$3,260,600	(\$1,200,000)	\$2,060,600
Programs						
LeRay McAllister Critical Land Conserva	332,600	1,482,600	0	1,482,600	(1,000,000)	482,600
Convention Facilities	4,000,000	0	0	0	0	0
Development Zone Partial Rebates	52,400	1,528,000	0	1,528,000	0	1,528,000
Retirement Benefits	0	50,000	200,000	250,000	(200,000)	50,000
Total	\$4,385,000	\$3,060,600	\$200,000	\$3,260,600	(\$1,200,000)	\$2,060,600
Categories of Expenditure						
Other Charges/Pass Thru	4,385,000	3,060,600	200,000	3,260,600	(1,200,000)	2,060,600
Total	\$4,385,000	\$3,060,600	\$200,000	\$3,260,600	(\$1,200,000)	\$2,060,600

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