

INTERNAL SERVICE FUND AMENDMENTS

1999 GENERAL SESSION

STATE OF UTAH

Sponsor: Brent H. Goodfellow

AN ACT RELATING TO INTERNAL SERVICE FUNDS; CREATING A LIMITED EXCEPTION TO THE PROHIBITION AGAINST TRANSFERRING ASSETS TO INTERNAL SERVICE FUND AGENCIES; AND MAKING TECHNICAL CORRECTIONS.

This act affects sections of Utah Code Annotated 1953 as follows:

AMENDS:

63-38-3.5, as last amended by Chapters 79 and 218, Laws of Utah 1996

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **63-38-3.5** is amended to read:

63-38-3.5. Internal service funds -- Governance and review.

(1) For purposes of this section:

(a) "Agency" means a department, division, office, bureau, or other unit of state government, and includes any subdivision of an agency.

(b) "Internal service fund agency" means an agency that provides goods or services to other agencies of state government or to other governmental units on a capital maintenance and cost reimbursement basis, and which recovers costs through interagency billings.

(c) "Revolving loan fund" means each of the revolving loan funds defined in Section 63A-3-205.

(2) An internal service fund agency is not subject to this section with respect to its administration of a revolving loan fund.

(3) An internal service fund agency may not bill another agency for services that it provides, unless the Legislature has:

(a) reviewed and approved the internal service fund agency's budget request;

(b) reviewed and approved the internal service fund agency's rates, fees, and other amounts that it charges those who use its services and included those rates, fees, and amounts in an appropriation act;

(c) approved the number of full-time, permanent positions of the internal service fund agency

as part of the annual appropriation process; and

(d) appropriated to the internal service fund agency the internal service fund's estimated revenue based upon the rates and fee structure that are the basis for the estimate.

(4) (a) Except as provided in Subsection (4)(b), an internal service fund agency may not charge rates, fees, and other amounts that exceed the rates, fees, and amounts established by the Legislature in the appropriations act.

(b) (i) An internal service fund agency that begins a new service or introduces a new product between annual general sessions of the Legislature may establish and charge an interim rate or amount for that service or product.

(ii) The internal service fund agency shall submit that interim rate or amount to the Legislature for approval at the next annual general session.

(5) The internal service fund agency budget request shall separately identify the capital needs and the related capital budget.

(6) In the fiscal year that the accounting change referred to in Subsection 51-5-6(2) is implemented by the Division of Finance, the Division of Finance shall transfer equity created by that accounting change to any internal service fund agency up to the amount needed to eliminate any long-term debt and deficit working capital in the fund.

(7) No new internal service fund agency may be established unless reviewed and approved by the Legislature.

(8) (a) An internal service fund agency may not acquire capital assets unless legislative approval for acquisition of the assets has been included in an appropriations act for the internal service fund agency.

(b) An internal service fund agency may not acquire capital assets after the transfer mandated by Subsection (4) has occurred unless the internal service fund agency has adequate working capital.

(c) The internal service fund agency shall provide working capital from the following sources in the following order:

(i) first, from operating revenues to the extent allowed by state rules and federal regulations;

(ii) second, from long-term debt, subject to the restrictions of this section; and

(iii) last, from an appropriation.

(d) (i) To eliminate negative working capital, an internal service fund agency may incur long-term debt from the General Fund or Special Revenue Funds to acquire capital assets.

(ii) The internal service fund agency shall repay all long-term debt borrowed from the General Fund or Special Revenue Funds by making regular payments over the useful life of the asset according to the asset's depreciation schedule.

(e) (i) The Division of Finance may not allow an internal service fund agency's borrowing to exceed 90% of the net book value of the agency's capital assets as of the end of the fiscal year.

(ii) If an internal service fund agency wishes to purchase authorized assets or enter into equipment leases that would increase its borrowing beyond 90% of the net book value of the agency's capital assets, the agency may purchase those assets only with monies appropriated from another fund, such as the General Fund or a special revenue fund.

(f) [Capital] (i) Except as provided in Subsection (8)(f)(ii), capital assets acquired through agency appropriation may not be transferred to any internal service fund agency without legislative approval.

(ii) Vehicles acquired by agencies, or monies appropriated to agencies for vehicle purchases, may be transferred to the Division of Fleet Operations and, when transferred, become part of the Consolidated Fleet Internal Service Fund.

(9) The Division of Finance shall adopt policies and procedures related to the accounting for assets, liabilities, equity, revenues, expenditures, and transfers of internal service funds agencies.