

1 **STATE ACCOUNTING AND BUDGETARY**
2 **PROCEDURES AMENDMENTS**

3 2008 GENERAL SESSION

4 STATE OF UTAH

5 **Chief Sponsor: Ron Bigelow**

6 Senate Sponsor: Lyle W. Hillyard

8 **LONG TITLE**

9 **General Description:**

10 This bill makes certain changes to state accounting and budgetary procedures involving
11 state funds and accounts and the governor's budget submission.

12 **Highlighted Provisions:**

13 This bill:

- 14 ▶ eliminates certain obsolete fund types;
- 15 ▶ modifies fund types to comply with certain Governmental Accounting Standards

16 Board requirements; and

- 17 ▶ requires the governor to report certain staff funding information in the governor's
18 budget.

19 **Monies Appropriated in this Bill:**

20 None

21 **Other Special Clauses:**

22 None

23 **Utah Code Sections Affected:**

24 AMENDS:

25 **51-5-4**, as last amended by Laws of Utah 2006, Chapter 323

26 **63-38-2**, as last amended by Laws of Utah 2007, Chapter 179

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

29 Section 1. Section **51-5-4** is amended to read:

30 **51-5-4. Funds established -- Titles of funds -- Fund functions.**

31 (1) (a) (i) The funds enumerated in this section are established as major fund types.

32 (ii) All resources and financial transactions of Utah state government shall be accounted
33 for within one of these major fund types.

34 (b) (i) All funds or subfunds shall be consolidated into one of the state's major fund
35 types.

36 (ii) Where a specific statute requires that a restricted fund be established, that fund shall
37 be accounted for as an individual fund or subfund within the major fund type to meet generally
38 accepted accounting principles.

39 (iii) Existing and new activities of state government authorized by the Legislature shall
40 be accounted for within the framework of the major fund types established in this section.

41 (c) The Division of Finance shall determine the accounting classification that complies
42 with generally accepted accounting principles for all funds or subfunds created by the
43 Legislature.

44 (d) (i) Major fund types shall be added by amending this chapter.

45 (ii) Whenever a new act creates or establishes a fund without amending this chapter, the
46 reference to a fund in the new act shall be classified within one of the major fund types
47 established by this section.

48 (2) Major Fund Type Titles:

49 (a) General Fund;

50 [~~(b)~~ Education Fund;]

51 [~~(c)~~ (b) Special Revenue Funds;

52 [~~(d)~~ (c) Capital Projects Funds;

53 [~~(e)~~ (d) Debt Service Funds;

54 [~~(f)~~ (e) Permanent Funds;

55 [~~(g)~~ (f) Enterprise Funds;

56 [~~(h)~~ (g) Internal Service Funds;

57 [~~(i)~~ (h) Trust and Agency Funds; and

58 ~~[(j) General Fixed Assets Account Group;]~~

59 ~~[(k) General Long-Term Obligation Account Group; and]~~

60 ~~[(l) College and University Funds.]~~

61 (i) Discrete Component Unit Funds.

62 (3) The General Fund shall receive all revenues and account for all expenditures not
63 otherwise provided for by law in any other fund.

64 ~~[(4) The Education Fund shall receive all revenues from taxes on intangible property or
65 from a tax on income and shall be designated for public and higher education.]~~

66 ~~[(5)]~~ (4) Special Revenue Funds account for proceeds of specific revenue sources, other
67 than permanent funds, trust and agency funds, or major capital projects, that are legally
68 restricted to expenditures for a specific purpose.

69 (a) The Education Fund is a Special Revenue Fund that:

70 (i) receives all revenues from taxes on intangible property or from a tax on income; and

71 (ii) is designated for public and higher education.

72 ~~[(a)]~~ (b) The Uniform School Fund is a Special Revenue Fund that accounts for all
73 revenues that are required by law to be expended for the public school programs of the state.

74 ~~[(b)]~~ (c) The Transportation Fund is a Special Revenue Fund that accounts for all
75 revenues that are required by law to be expended for highway purposes.

76 ~~[(c)]~~ (d) (i) A Restricted Special Revenue Fund is a Special Revenue Fund created by
77 legislation or contractual relationship with parties external to the state that:

78 (A) identifies specific revenues collected from fees, taxes, dedicated credits, donations,
79 federal funds, or other sources;

80 (B) defines the use of the money in the fund for a specific function of government or
81 program within an agency; and

82 (C) delegates spending authority or authorization to use the fund's assets to a governing
83 board, administrative department, or other officials as defined in the enabling legislation or
84 contract establishing the fund.

85 (ii) A Restricted Special Revenue Fund may only be created by contractual relationship

86 with external parties when the sources of revenue for the fund are donated revenues or federal
87 revenues.

88 (iii) Restricted Special Revenue Funds are subject to annual legislative review by the
89 appropriate legislative appropriations subcommittee.

90 [~~(6)~~] (5) Capital Projects Funds account for financial resources to be expended for the
91 acquisition or construction of major capital facilities, except that when financing for the
92 acquisition or construction of a major capital facility is obtained from a trust fund or a
93 proprietary type fund within one of the major fund types, the monies shall be accounted for in
94 those accounts.

95 [~~(7)~~] (6) Debt Service Funds account for the accumulation of resources for, and the
96 payment of, the principal and interest on general long-term obligations.

97 [~~(8)~~] (7) Permanent Funds account for assets that are legally restricted to the extent that
98 only earnings, and not principal, may be used for a specific purpose.

99 [~~(9)~~] (8) Enterprise Funds are designated to account for the following:

100 (a) operations, financed and operated in a manner similar to private business enterprises,
101 where the Legislature intends that the costs of providing goods or services to the public are
102 financed or recovered primarily through user charges;

103 (b) operations where the Legislature requires periodic determination of revenues
104 earned, expenses incurred, and net income;

105 (c) operations for which a fee is charged to external users for goods or services; or

106 (d) operations that are financed with debt that is secured solely by a pledge of the net
107 revenues from fees and charges of the operations.

108 [~~(10)~~] (9) Internal Service Funds account for the financing of goods or services
109 provided by one department, division, or agency to other departments, divisions, or agencies of
110 the state, or to other governmental units, on a cost-reimbursement basis.

111 [~~(11)~~] (10) (a) Trust and Agency Funds account for assets held by the state as trustee or
112 agent for individuals, private organizations, or other governmental units.

113 (b) Pension Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds, and

114 Agency Funds are Trust and Agency Funds.

115 ~~[(12) The General Fixed Assets Account Group accounts for all fixed assets acquired or~~
116 ~~constructed for use by the state, except for the fixed assets accounted for in the Internal~~
117 ~~Service, Enterprise, Trust and Agency, and College and University Funds.]~~

118 ~~[(13) The General Long-Term Obligation Account Group accounts for general~~
119 ~~obligation bonds, revenue bonds, capital lease obligations, accrued annual and compensatory~~
120 ~~leave, and other long-term obligations not otherwise recorded in Internal Service, Enterprise,~~
121 ~~Trust and Agency, and College and University Funds.]~~

122 [(14)] (11) [College and University Funds] Discrete Component Unit Funds account for
123 the financial resources used to operate the state's colleges and universities and other discrete
124 component units.

125 Section 2. Section **63-38-2** is amended to read:

126 **63-38-2. Governor to submit budget to Legislature -- Contents -- Preparation --**
127 **Appropriations based on current tax laws and not to exceed estimated revenues.**

128 (1) (a) The governor shall, within three days after the convening of the Legislature in
129 the annual general session, submit a budget for the ensuing fiscal year by delivering it to the
130 presiding officer of each house of the Legislature together with a schedule for all of the
131 proposed appropriations of the budget, clearly itemized and classified.

132 (b) The budget message shall include:

133 (i) a projection of estimated revenues and expenditures for the next fiscal year; and

134 (ii) the source of all direct, indirect, or in-kind matching funds for all federal grants or
135 assistance programs included in the budget.

136 (2) At least 34 days before the submission of any budget, the governor shall deliver a
137 confidential draft copy of his proposed budget recommendations to the Office of the Legislative
138 Fiscal Analyst.

139 (3) (a) The budget shall contain a complete plan of proposed expenditures and
140 estimated revenues for the next fiscal year based upon the current fiscal year state tax laws and
141 rates.

- 142 (b) The budget may be accompanied by a separate document showing proposed
143 expenditures and estimated revenues based on changes in state tax laws or rates.
- 144 (4) The budget shall be accompanied by a statement showing:
- 145 (a) the revenues and expenditures for the last fiscal year;
- 146 (b) the current assets, liabilities, and reserves, surplus or deficit, and the debts and funds
147 of the state;
- 148 (c) an estimate of the state's financial condition as of the beginning and the end of the
149 period covered by the budget;
- 150 (d) a complete analysis of lease with an option to purchase arrangements entered into
151 by state agencies;
- 152 (e) the recommendations for each state agency for new full-time employees for the next
153 fiscal year; which recommendation should be provided also to the State Building Board under
154 Subsection 63A-5-103(2);
- 155 (f) any explanation the governor may desire to make as to the important features of the
156 budget and any suggestion as to methods for the reduction of expenditures or increase of the
157 state's revenue; and
- 158 (g) the information detailing certain regulatory fee increases required by Section
159 63-38-3.2.
- 160 (5) The budget shall include an itemized estimate of the appropriations for:
- 161 (a) the Legislative Department as certified to the governor by the president of the
162 Senate and the speaker of the House;
- 163 (b) the Executive Department;
- 164 (c) the Judicial Department as certified to the governor by the state court administrator;
- 165 (d) payment and discharge of the principal and interest of the indebtedness of the state;
- 166 (e) the salaries payable by the state under the Utah Constitution or under law for the
167 lease agreements planned for the next fiscal year;
- 168 (f) other purposes that are set forth in the Utah Constitution or under law; and
- 169 (g) all other appropriations.

170 (6) Deficits or anticipated deficits shall be included in the budget.

171 (7) (a) (i) For the purpose of preparing and reporting the budget, the governor shall
172 require from the proper state officials, including public and higher education officials, all heads
173 of executive and administrative departments and state institutions, bureaus, boards,
174 commissions, and agencies expending or supervising the expenditure of the state moneys, and
175 all institutions applying for state moneys and appropriations, itemized estimates of revenues and
176 expenditures.

177 (ii) (A) The governor may also require other information under these guidelines and at
178 times as the governor may direct.

179 (B) These guidelines may include a requirement for program productivity and
180 performance measures, where appropriate, with emphasis on outcome indicators.

181 (b) The estimate for the Legislative Department as certified by the presiding officers of
182 both houses shall be included in the budget without revision by the governor.

183 (c) The estimate for the Judicial Department, as certified by the state court
184 administrator, shall also be included in the budget without revision, but the governor may make
185 separate recommendations on it.

186 (d) The governor may require the attendance at budget meetings of representatives of
187 public and higher education, state departments and institutions, and other institutions or
188 individuals applying for state appropriations.

189 (e) The governor may revise all estimates, except those relating to the Legislative
190 Department, the Judicial Department, and those providing for the payment of principal and
191 interest to the state debt and for the salaries and expenditures specified by the Utah Constitution
192 or under the laws of the state.

193 (8) The total appropriations requested for expenditures authorized by the budget may
194 not exceed the estimated revenues from taxes, fees, and all other sources for the next ensuing
195 fiscal year.

196 (9) If any item of the budget as enacted is held invalid upon any ground, the invalidity
197 does not affect the budget itself or any other item in it.

198 (10) (a) In submitting the budgets for the Departments of Health and Human Services
199 and the Office of the Attorney General, the governor shall consider a separate recommendation
200 in his budget for funds to be contracted to:

- 201 (i) local mental health authorities under Section 62A-15-110;
- 202 (ii) local substance abuse authorities under Section 62A-15-110;
- 203 (iii) area agencies under Section 62A-3-104.2;
- 204 (iv) programs administered directly by and for operation of the Divisions of Substance
205 Abuse and Mental Health and Aging and Adult Services;
- 206 (v) local health departments under Title 26A, Chapter 1, Local Health Departments;
- 207 and
- 208 (vi) counties for the operation of Children's Justice Centers under Section 67-5b-102.

209 (b) In his budget recommendations under Subsections (10)(a)(i), (ii), and (iii), the
210 governor shall consider an amount sufficient to grant local health departments, local mental
211 health authorities, local substance abuse authorities, and area agencies the same percentage
212 increase for wages and benefits that he includes in his budget for persons employed by the state.

213 (c) If the governor does not include in his budget an amount sufficient to grant the
214 increase described in Subsection (10)(b), he shall include a message to the Legislature regarding
215 his reason for not including that amount.

216 (11) (a) In submitting the budget for the Department of Agriculture, the governor shall
217 consider an amount sufficient to grant local conservation districts and Utah Association of
218 Conservation District employees the same percentage increase for wages and benefits that he
219 includes in his budget for persons employed by the state.

220 (b) If the governor does not include in his budget an amount sufficient to grant the
221 increase described in Subsection (11)(a), he shall include a message to the Legislature regarding
222 his reason for not including that amount.

223 (12) (a) In submitting the budget for the Utah State Office of Rehabilitation and the
224 Division of Services for People with Disabilities, the Division of Child and Family Services, and
225 the Division of Juvenile Justice Services within the Department of Human Services, the

226 governor shall consider an amount sufficient to grant employees of corporations that provide
227 direct services under contract with those divisions, the same percentage increase for
228 cost-of-living that he includes in his budget for persons employed by the state.

229 (b) If the governor does not include in his budget an amount sufficient to grant the
230 increase described in Subsection (12)(a), he shall include a message to the Legislature regarding
231 his reason for not including that amount.

232 (13) (a) The Families, Agencies, and Communities Together Council may propose to
233 the governor under Subsection 63-75-4(4)(e) a budget recommendation for collaborative
234 service delivery systems operated under Section 63-75-6.5.

235 (b) The Legislature may, through a specific program schedule, designate funds
236 appropriated for collaborative service delivery systems operated under Section 63-75-6.5.

237 (14) The governor shall include in his budget the state's portion of the budget for the
238 Utah Communications Agency Network established in Title 63C, Chapter 7, Utah
239 Communications Agency Network Act.

240 (15) (a) The governor shall include a separate recommendation in the governor's budget
241 for funds to maintain the operation and administration of the Utah Comprehensive Health
242 Insurance Pool.

243 (b) In making the recommendation the governor may consider:

244 (i) actuarial analysis of growth or decline in enrollment projected over a period of at
245 least three years;

246 (ii) actuarial analysis of the medical and pharmacy claims costs projected over a period
247 of at least three years;

248 (iii) the annual Medical Care Consumer Price Index;

249 (iv) the annual base budget for the pool established by the Commerce and Revenue
250 Appropriations Subcommittee for each fiscal year;

251 (v) the growth or decline in insurance premium taxes and fees collected by the tax
252 commission and the insurance department; and

253 (vi) the availability of surplus General Fund revenue under Section 63-38-2.5 and

254 Subsection 59-14-204(5)(b).

255 (16) In adopting a budget for each fiscal year, the Legislature shall consider an amount
256 sufficient to grant local health departments, local mental health authorities, local substance
257 abuse authorities, area agencies on aging, conservation districts, and Utah Association of
258 Conservation District employees the same percentage increase for wages and benefits that is
259 included in the budget for persons employed by the state.

260 (17) (a) In adopting a budget each year for the Utah Comprehensive Health Insurance
261 Pool, the Legislature shall determine an amount that is sufficient to fund the pool for each fiscal
262 year.

263 (b) When making a determination under Subsection (17)(a), the Legislature shall
264 consider factors it determines are appropriate, which may include:

265 (i) actuarial analysis of growth or decline in enrollment projected over a period of at
266 least three years;

267 (ii) actuarial analysis of the medical and pharmacy claims costs projected over a period
268 of at least three years;

269 (iii) the annual Medical Care Consumer Price Index;

270 (iv) the annual base budget for the pool established by the Commerce and Revenue
271 Appropriations Subcommittee for each fiscal year;

272 (v) the growth or decline in insurance premium taxes and fees collected by the tax
273 commission and the insurance department from the previous fiscal year; and

274 (vi) the availability of surplus General Fund revenue under Section 63-38-2.5 and
275 Subsection 59-14-204(5)(b).

276 (c) The funds appropriated by the Legislature to fund the Utah Comprehensive Health
277 Insurance Pool as determined under Subsection (17)(a):

278 (i) shall be deposited into the enterprise fund established by Section 31A-29-120; and

279 (ii) are restricted and are to be used to maintain the operation, administration, and
280 management of the Utah Comprehensive Health Insurance Pool created by Section
281 31A-29-104.

282 (18) In considering the factors in Subsections (15)(b)(i), (ii), and (iii) and Subsections
283 (17)(b)(i), (ii), and (iii), the governor and the Legislature may consider the actuarial data and
284 projections prepared for the board of the Utah Comprehensive Health Insurance Pool as it
285 develops its financial statements and projections for each fiscal year.

286 (19) The governor shall report, for each line item, the average annual dollar amount of
287 staff funding associated with all positions that were vacant during the last fiscal year.