SUMMARY

Over the past several years, the Legislature has approved the Tax Commission’s requests for authority to carry forward unexpended year-end balances for costs related to the modernization of tax and motor vehicle system processes, streamlined sales tax implementation, and electronic transaction-related funding. The Commission also has statutory authority to carry forward unexpended license plate fee revenues. The Administration line item nonlapsing appropriation balance hit at peak in FY 2005 at over $8.8 million; the estimated balance for the end of FY 2007 is $4.9 million. The average annual License Plates Production line item balance over the past six years is about $2.8 million.

The Tax Commission already has the authority to carry forward unexpended funds in the Administration line item at the end of FY 2007, therefore the Analyst recommends waiting until the 2008 General Session to address the lapse of these funds at the end of FY 2008. The Analyst also recommends that the Tax Commission take action to decrease the License Plate Production line item nonlapsing balance.

OBJECTIVE

This issue brief details nonlapsing balances in the Tax Commission budget and provides recommendations for addressing these balances.

DISCUSSION AND ANALYSIS

Administration Line Item

The Administration line item nonlapsing balance is comprised of three components: the implementation of Streamlined Sales Tax (SST) legislation, electronic transaction costs, and tax system modernization. Figure 1 at the right shows that the line item’s nonlapsing balance hit a high in FY 2005 at over $8.8 million. The difference between appropriated and actual nonlapsing balances also reached a high in FY 2005. Since the Arches Project (tax system modernization, see Budget Brief EDR-20-07 for more details) has commenced, the Commission has begun spending down carry-forward monies and the disparity between actual and appropriated balances has decreased. In its most recent budget submission, the Commission estimates balances of about $5 million for FY 2007 and $4 million for FY 2008.

The Tax Commission already has authority, as provided by Item 51 of Chapter 366 Laws of Utah 2006, to carry forward funds at the end of FY 2007 and has requested nonlapsing intent language allowing it to carry forward unexpended year-end balances at the end of the new fiscal year. As a matter of policy, the Legislative Fiscal Analyst prefers nonlapsing intent language that is granted in supplemental action under UCA 63-38-8.1. The Analyst believes that granting nonlapsing authority nearer to the end of a fiscal year allows for better estimation of available balances, provides greater accountability for the potential uses of such balances, and permits the Legislature more flexibility in prioritizing spending. The Analyst recommends addressing the Tax Commission’s request for authority to carry forward unexpended balances for costs related to the Arches Project, SST implementation, and electronic transactions at the end of FY 2008 during the 2008 General Session.
License Plate Production Line Item

Statutory authority for the Tax Commission to carry forward unexpended balances related to license plate production is provided in UCA 41-1a-1201, *Disposition of Fees*. The growing nonlapsing balances shown in Figure 2 at the right imply that the Commission has consistently collected more in plate and service fees than they have expended.

The Analyst recommends directing the Tax Commission to decrease the nonlapsing balance in the License Plate Production line item. Since all revenues to the program are dedicated credits, the agency may decrease fees. If the Tax Commission can provide documentation of increasing costs for plate production, the agency may also decrease the nonlapsing balance by holding the fees it charges constant.

Legislative Action

If the Subcommittee wishes to accept the recommendations provided in this issue brief, the Analyst proposes the following actions:

1. Address the Commission’s request for nonlapsing intent language allowing carry-forward of unexpended balances in the Administration line item at the close of FY 2008 during the 2008 General Session rather than the current session.

2. Direct the Tax Commission to take action to decrease nonlapsing balances in the License Plate Production line item by decreasing fees or holding fees steady if the Commission’s costs increase.

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1 The Tax Commission may not need for nonlapsing authority related to SST and electronic transactions depending on outcomes of the 2007 General Session. Senator Niederhauser is sponsoring legislation (S.B. 181, *Fees to Cover the Cost of Electronic Payments*) that allows the Tax Commission to continue operating under the procedure in UCA 63-38a-105, which is set to sunset, and includes a provision making electronic payment surcharges nonlapsing. Unless legislators take action to extend SST implementation, the Tax Commission will not need to carry forward related balances.