

## Part 4 Internal Service Funds

### 63J-1-410 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) "Do not replace vehicles" means a vehicle accounted for in the Division of Fleet Operations for which charges to an agency for its use do not include amounts to cover depreciation or to accumulate assets to replace the vehicle at the end of its useful life.
  - (c) "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.
  - (d) "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)
  - (a) An internal service fund agency may not bill another agency for services that it provides for each internal service fund operated by the agency, unless the Legislature has:
    - (i) reviewed and approved each internal service fund's budget request;
    - (ii) reviewed and approved each internal service fund'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;
    - (iii) approved the number of full-time, permanent positions of each internal service fund as part of the annual appropriation process;
    - (iv) review the number of full-time equivalent contract employees of each internal service fund as part of the annual appropriation process; and
    - (v) appropriated to the internal service fund agency each internal service fund's estimated revenue based upon the rates and fee structure that are the basis for the estimate.
  - (b) If an internal service fund agency operates more than one internal service fund within the internal service fund agency, the internal service fund agency shall comply with the review and approval requirements under Subsection (3)(a) for each internal service fund.
  - (c) If an internal service fund agency operates an internal service fund and does not get the approvals required under Subsection (3)(a) or (4)(b), the internal service fund agency shall rebate all rates, fees, and amounts collected to those who use the services for the rates, fees, and amounts collected that were not approved under Subsection (3)(a) or (4)(b).
- (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, for that service or product:
      - (A) establish and charge an interim rate or amount;
      - (B) acquire contract employees, if necessary; or
      - (C) do a combination of Subsections (4)(b)(i)(A) and (B).
    - (ii) The internal service fund agency shall:

- (A) submit the interim rate or amount under Subsection (4)(b)(i) to the Legislature for approval at the next annual general session; and
  - (B) report any change in the number of contract employees under Subsection (4)(b)(i) to the appropriate legislative appropriations subcommittee for review.
- (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) Except as provided in Subsection (8)(f), 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 (6) 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 money appropriated from another fund, such as the General Fund or a special revenue fund.
  - (f)
    - (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 from appropriated funds or money appropriated to agencies to be used for vehicle purchases may be transferred to the Division of Fleet Operations and, when transferred, become part of the Fleet Operations Internal Service Fund.
    - (iii) Vehicles acquired with funding from sources other than state appropriations or acquired through the federal surplus property donation program may be transferred to the Division of Fleet Operations and, when transferred, become part of the Fleet Operations Internal Service Fund.

- (iv) Unless otherwise approved by the Legislature, vehicles acquired under Subsection (8)(f)(iii) shall be accounted for as "do not replace" vehicles.
- (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.

Amended by Chapter 236, 2014 General Session

**63J-1-411 Internal service funds -- End of fiscal year -- Unused authority for capital acquisition.**

- (1) An internal service fund agency's authority to acquire capital assets under Subsection 63J-1-410(8)(a) shall lapse if the acquisition of the capital asset does not occur in the fiscal year in which the authorization is included in the appropriations act, unless the Legislature identifies the authority to acquire the capital asset as nonlapsing authority:
  - (a) for a specific one-time project and a limited period of time in the Legislature's initial appropriation to the agency; or
  - (b) in a supplemental appropriation in accordance with Subsection (2).
- (2)
  - (a) An internal service fund agency's authority to acquire capital assets may be retained as nonlapsing authorization if the internal service fund agency includes a one-time project's list as part of the budget request that it submits to the governor and the Legislature at the annual general session of the Legislature immediately before the end of the fiscal year in which the agency may have unused capital acquisition authority.
  - (b) The governor:
    - (i) may approve some or all of the items from an agency's one-time project's list; and
    - (ii) shall identify and prioritize any approved one-time projects in the budget that the governor submits to the Legislature.
  - (c) The Legislature:
    - (i) may approve some or all of the specific items from an agency's one-time project's list as an approved capital acquisition for an agency's appropriation balance;
    - (ii) shall identify any authorized one-time projects in the appropriate line item appropriation; and
    - (iii) may prioritize one-time projects in intent language.
- (3) An internal service fund agency shall submit a status report of outstanding nonlapsing authority to acquire capital assets and associated one-time projects to the Governor's Office of Planning and Budget and the Legislative Fiscal Analyst's Office with the proposed budget submitted by the governor as provided under Section 63J-1-201.

Amended by Chapter 382, 2021 General Session