



28           **73-10c-7**, as enacted by Chapter 354, Laws of Utah 1983

29           **73-10c-9**, as last amended by Chapter 285, Laws of Utah 1992

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

31           Section 1. Section **9-4-303** is amended to read:

32           **9-4-303. Impact fund -- Deposits and contents -- Use of fund monies.**

33           (1) There is created an [~~internal service~~] enterprise fund entitled the "Permanent  
34 Community Impact Fund."

35           (2) The fund consists of:

36           (a) all amounts appropriated to the impact fund under Section 59-21-2;

37           (b) bonus payments deposited to the impact fund pursuant to Subsection 59-21-1(2);

38           (c) bonus payments deposited to the impact fund pursuant to Section 53C-3-202;

39           (d) all amounts received for the repayment of loans made by the impact board under this  
40 chapter; and

41           (e) all other monies appropriated or otherwise made available to the impact fund by the  
42 Legislature.

43           (3) The state treasurer shall:

44           (a) invest the monies in the impact fund by following the procedures and requirements of  
45 Title 51, Chapter 7, State Money Management Act; and

46           (b) deposit all interest or other earnings derived from those investments into the impact  
47 fund.

48           (4) The amounts in the impact fund available for loans, grants, administrative costs, or  
49 other purposes of this part shall be limited to that which the Legislature appropriates for these  
50 purposes.

51           (5) Federal mineral lease revenue received by the state under the Leasing Act that is  
52 deposited into the impact fund shall be used:

53           (a) in a manner consistent with:

54           (i) the Leasing Act; and

55           (ii) this part; and

56           (b) for loans, grants, or both to state agencies or subdivisions that are socially or  
57 economically impacted by the leasing of minerals under the Leasing Act.

58           (6) Mineral lease revenue collected by the School and Institutional Trust Lands

59 Administration from the lease of minerals on acquired lands or the lease of acquired mineral  
60 interests that is deposited into the impact fund shall be used:

- 61 (a) in a manner consistent with this part; and
- 62 (b) for loans, grants, or both to state agencies or subdivisions socially or economically  
63 impacted by the leasing of:
  - 64 (i) minerals on acquired lands; or
  - 65 (ii) acquired mineral interests.

66 Section 2. Section **9-4-701** is amended to read:

67 **9-4-701. Definitions.**

68 As used in this part:

- 69 (1) "Board" means the Housing Board created by this part.
- 70 (2) "Fund" means the Olene Walker Housing [~~Trust~~] Loan Fund [~~in the General Fund~~]  
71 created by this part.
- 72 (3) "Rural" means any county in the state other than Utah, Salt Lake, Davis, or Weber.

73 Section 3. Section **9-4-702** is amended to read:

74 **9-4-702. Creation and administration.**

75 (1) (a) There is created [~~a restricted account in the General Fund~~] an enterprise fund known  
76 as the Olene Walker Housing [~~Trust~~] Loan Fund, administered by the executive director or his  
77 designee.

78 (b) The department shall be the [~~trustee~~] administrator of the fund.

79 (2) There shall be deposited into the fund:

80 (a) grants, paybacks, bonuses, entitlements, and other moneys received by the department  
81 from the federal government to preserve, rehabilitate, build, restore, or renew housing or other  
82 activities authorized by the fund;

83 (b) transfers, grants, gifts, bequests, or any money made available from any source to  
84 implement this part; and

85 (c) moneys appropriated to the fund by the Legislature.

86 (3) The moneys in the fund shall be invested by the state treasurer according to the  
87 procedures and requirements of Title 51, Chapter 7, except that all interest or other earnings  
88 derived from the fund moneys shall be deposited in the fund.

89 Section 4. Section **9-10-102** is amended to read:

90 **9-10-102. Legislative intent -- Uintah Basin Revitalization Fund -- Deposits and**  
91 **contents.**

92 (1) In order to maximize the long-term benefit of severance taxes derived from lands held  
93 in trust by the United States for the Tribe and its members by fostering funding mechanisms that  
94 will, consistent with sound financial practices, result in the greatest use of financial resources for  
95 the greatest number of citizens of the Uintah Basin, and in order to promote cooperation and  
96 coordination between the state, its political subdivisions, Indian tribes, and individuals, firms, and  
97 business organizations engaged in the development of oil and gas interests held in trust for the  
98 Tribe and its members, there is created [~~an enterprise~~] a special revenue fund entitled the "Uintah  
99 Basin Revitalization Fund."

100 (2) The fund consists of all monies deposited to the Revitalization Fund under this part and  
101 Section 59-5-116.

102 (3) (a) The Revitalization Fund shall earn interest.

103 (b) All interest earned on fund monies shall be deposited into the fund.

104 Section 5. Section **9-11-104** is amended to read:

105 **9-11-104. San Juan Navajo Revitalization Fund.**

106 (1) (a) There is created [~~an enterprise~~] a special revenue fund called the "Navajo  
107 Revitalization Fund."

108 (b) The fund shall consist of:

109 (i) monies deposited to the fund under this chapter;

110 (ii) monies deposited to the fund under Section 59-5-119; and

111 (iii) any loan repayment or interest on a loan issued under this chapter.

112 (2) (a) The revitalization fund shall earn interest.

113 (b) All interest earned on fund monies shall be deposited into the fund.

114 (3) Any unallocated balance in the fund at the end of a fiscal year shall be nonlapsing.

115 (4) The division may use fund monies for the administration of the fund, but this amount  
116 may not exceed 2% of the annual receipts to the fund.

117 Section 6. Section **51-5-3** is amended to read:

118 **51-5-3. Definitions.**

119 As used in this chapter:

120 (1) "Account groups" means a self-balancing set of accounts used to establish accounting

121 control and accountability for the state's general fixed assets and general long-term obligations.

122 (2) "Accrual basis" means the basis of accounting under which revenues are recorded when  
123 earned and expenditures are recorded when they result in liabilities for benefits received, even  
124 though the receipt of the revenue or payment of the expenditures may take place, in whole or in  
125 part, in another accounting period.

126 (3) "Activity" means a specific and distinguishable line of work performed by one or more  
127 organizational components of a governmental unit to accomplish a function for which the  
128 governmental unit is responsible.

129 (4) "Appropriation" means a legislative authorization to make expenditures and to incur  
130 obligations for specific purposes.

131 (5) "Budgetary accounts" means those accounts necessary to reflect budgetary operations  
132 and conditions, such as estimated revenues, appropriations, and encumbrances.

133 (6) "Cash basis" means the basis of accounting under which revenues are recorded when  
134 received in cash and expenditures are recorded when paid.

135 (7) "Dedicated credit" means:

136 (a) revenue that is required by law or by the contractual terms under which the revenue is  
137 accepted, to be expended for specified activities; and

138 (b) revenue that is appropriated by provisions of law to the department, institution, or  
139 agency that assessed the revenue, to be expended for the specified activities.

140 (8) "Encumbrances" means obligations in the form of purchase orders, contracts, or salary  
141 commitments that are chargeable to an appropriation and for which a part of the appropriation is  
142 reserved. Encumbrances cease when paid or when the actual liability is set up.

143 (9) (a) "Expenditures" means decreases in net financial resources from other than interfund  
144 transfers, refundings of general long-term capital debt, and other items indicated by GASB.

145 (b) "Expenditures" may include current operating expenses, debt service, capital outlays,  
146 employee benefits, earned entitlements, and shared revenues.

147 (10) (a) "Financial resources" means assets that are obtained or controlled as a result of  
148 past transactions or events that in the normal course of operations will become cash.

149 (b) "Financial resources" includes cash, claims to cash such as taxes receivable, and claims  
150 to goods or services such as prepaids.

151 (11) "Fiscal period" means any period at the end of which a governmental unit determines

152 its financial position and the results of its operations.

153 (12) "Function" means a group of related activities aimed at accomplishing a major service  
154 or regulatory program for which a governmental unit is responsible.

155 (13) "Fund" means an independent fiscal and accounting entity with a self-balancing set  
156 of accounts, composed of financial resources and other assets, all related liabilities and residual  
157 equities or balances and changes in those resources, assets, liabilities, and equities that, when  
158 recorded, are segregated for the purpose of carrying on specific activities or attaining certain  
159 objectives, according to special regulations, restrictions, or limitations.

160 (14) "Fund accounts" means all accounts necessary to set forth the financial operations and  
161 financial position of a fund.

162 (15) "GASB" means the Governmental Accounting Standards Board that is responsible  
163 for accounting standards used by public entities.

164 (16) (a) "Governmental fund" means funds used to account for the acquisition, use, and  
165 balances of expendable financial resources and related liabilities using a measurement focus that  
166 emphasizes the flow of financial resources.

167 (b) "Governmental fund" includes the following types: General Fund, special revenue  
168 funds, debt service funds, ~~and~~ capital projects funds, and permanent funds.

169 (17) "Lapse," as applied to appropriations, means the automatic termination of an  
170 unexpended appropriation.

171 (18) "Liabilities" are the probable future sacrifices of economic benefits, arising from  
172 present obligations of a particular entity to transfer assets or provide services to other entities in  
173 the future.

174 (19) "Net financial resources" means:

175 (a) the difference between the amount of a governmental fund's financial resources and  
176 liabilities; and

177 (b) the fund balance of a governmental fund.

178 (20) "Postemployment" means that period of time following:

179 (a) the last day worked by an employee as a result of his long-term disability; or

180 (b) the date that an employee identifies as the date on which the employee intends to retire  
181 or terminate from state employment.

182 (21) "Postemployment benefits" means benefits earned by employees that will not be paid

183 until postemployment, including unused vacation leave, unused converted sick leave, sick leave  
184 payments, and health and life insurance benefits as provided in Section 67-19-14.

185 (22) "Proprietary funds" means those funds or subfunds that show actual financial position  
186 and the results of operations, such as actual assets, liabilities, reserves, fund balances, revenues,  
187 and expenses.

188 (23) "Restricted revenue" means revenue that is required by law to be expended only:

189 (a) for specified activities; and

190 (b) to the amount of the legislative appropriation.

191 (24) "Revenue" means the increase in ownership equity during a designated period of time  
192 that is recognized as earned.

193 (25) "Subfund" means a restricted account, established within an independent fund, that  
194 has a self-balancing set of accounts to restrict revenues, expenditures, or the fund balance.

195 (26) "Surplus" means the excess of the assets of a fund over its liabilities and restricted  
196 fund equity.

197 (27) "Unappropriated surplus" means that portion of the surplus of a given fund that is not  
198 segregated for specific purposes.

199 (28) "Unrestricted revenue" means revenue of a fund that may be expended by legislative  
200 appropriation for functions authorized in the provisions of law that establish each fund.

201 Section 7. Section **51-5-4** is amended to read:

202 **51-5-4. Funds established -- Titles of funds -- Fund functions.**

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

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

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

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

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

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

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

215 (ii) Whenever a new act creates or establishes a fund without amending this chapter, the  
216 reference to a fund in the new act [~~means a subfund~~] shall be classified within one of the major  
217 fund types established by this section.

218 (2) Major Fund Type Titles:

219 (a) General Fund;

220 (b) Special Revenue Funds;

221 (c) Capital Projects Funds;

222 (d) Debt Service Funds;

223 (e) Permanent Funds;

224 [~~(e)~~] (f) Enterprise Funds;

225 [~~(f)~~] (g) Internal Service Funds;

226 [~~(g)~~] (h) Trust and Agency Funds;

227 [~~(h)~~] (i) General Fixed Assets Account Group;

228 [~~(i)~~] (j) General Long-Term Obligation Account Group; and

229 [~~(j)~~] (k) College and University Funds.

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

232 (4) Special Revenue Funds [~~shall~~] account for proceeds of specific revenue sources,  
233 [~~(f)other than [expendable trusts,] permanent funds, trust and agency funds,~~ or major capital  
234 projects~~)]~~, that are legally restricted to expenditures for a specific purpose.

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

237 (b) The Transportation Fund is a Special Revenue Fund that [~~shall account~~] accounts for  
238 all revenues that are required by [~~Article XIII, Sec. 13, Utah Constitution,~~] law to be expended for  
239 highway purposes.

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

244 (6) Debt Service Funds [~~shall~~] account for the accumulation of resources for, and the

245 payment of, the principal and interest on general long-term obligations.

246 (7) Permanent Funds account for assets that are legally restricted to the extent that only  
 247 earnings, and not principal, may be used for a specific purpose.

248 ~~[(7)]~~ (8) (a) Enterprise Funds are designated to account for the following:

249 (i) operations, financed and operated in a manner similar to private business enterprises,  
 250 where the Legislature intends that the costs of providing goods or services to the public are  
 251 financed or recovered primarily through user charges; ~~[or]~~

252 (ii) operations where the Legislature requires periodic determination of revenues earned,  
 253 expenses incurred, and net income~~[-]~~;

254 ~~[(b) The Alcoholic Beverage Control Fund is an Enterprise Fund that shall account for the~~  
 255 ~~state-controlled liquor merchandising operations.]~~

256 ~~[(c) The Utah Housing Finance Agency Fund, the Utah Correctional Industries Fund, and~~  
 257 ~~the Workers' Compensation Fund, are Enterprise Funds.]~~

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

259 (iv) operations that are financed with debt that is secured solely by a pledge of the net  
 260 revenues from fees and charges of the operations.

261 ~~[(8)]~~ (9) Internal Service Funds ~~[shall]~~ account for the financing of goods or services  
 262 provided by one department, division, or agency to other departments, divisions, or agencies of the  
 263 state, or to other governmental units, on a cost-reimbursement basis.

264 ~~[(9)]~~ (10) (a) Trust and Agency Funds ~~[shall]~~ account for assets held by the state as trustee  
 265 or agent for individuals, private organizations, or other governmental units~~[-, or other funds]~~.

266 (b) ~~[Expendable]~~ Pension Trust Funds, ~~[Nonexpendable]~~ Investment Trust Funds,  
 267 Private-Purpose Trust Funds, and Agency Funds are Trust and Agency Funds.

268 ~~[(i) The Retirement Systems Fund is a Trust Fund that shall account for resources received~~  
 269 ~~and held by the state as trustee for the state retirement systems established by the Utah School~~  
 270 ~~Employees' Retirement Act, the Utah Public Employees' Retirement Act, and the Firemen's~~  
 271 ~~Pension Act. Additional retirement systems that are established by the Legislature shall be included~~  
 272 ~~in the Retirement Systems Fund.]~~

273 ~~[(ii) The State Land Principal Fund is a Nonexpendable Trust Fund that shall account for~~  
 274 ~~resources received by the state as trustee for land grants made in the Enabling Act of the state of~~  
 275 ~~Utah.]~~

276           ~~[(10)]~~ (11) The General Fixed Assets Account Group ~~[shall account]~~ accounts for all fixed  
277 assets acquired or constructed for use by the state, except for the fixed assets accounted for in the  
278 Internal Service, Enterprise, Trust and Agency, and College and University Funds.

279           ~~[(11)]~~ (12) The General Long-Term Obligation Account Group ~~[shall account]~~ accounts  
280 for general obligation bonds, revenue bonds, capital lease obligations, accrued annual and  
281 compensatory leave, and other long-term obligations not otherwise recorded in Internal Service,  
282 Enterprise, Trust and Agency, and College and University Funds.

283           ~~[(12)]~~ (13) College and University Funds ~~[shall]~~ account for the financial resources used  
284 to operate the state's colleges and universities. ~~[They shall include the Current Funds, Fiduciary~~  
285 ~~Funds, and Plant Funds for each college and university.]~~

286           Section 8. Section **51-5-8** is amended to read:

287           **51-5-8. Construction of terms and provisions relating to funds in other statutes.**

288           (1) Direct or indirect references to the word "fund," or any other synonymous word  
289 contained in the Utah Code Annotated 1953, that is used to identify a separate accounting entity,  
290 ~~[shall mean]~~ means a fund account or subfund except where that fund meets the definition of a  
291 major fund type according to generally accepted accounting principles.

292           (2) The following terms and all other terms similar in meaning, except when they meet the  
293 definition of a fund in accordance with generally accepted accounting principles, ~~[shall]~~ mean a  
294 subfund or account within the funds established by this chapter: "special funds"; "separate funds";  
295 ~~["permanent funds";]~~ "departmental funds"; "association funds"; "trust," such as "in trust" or "held  
296 in trust"; "deposits," such as "security deposits" or "certificates of deposit"; "reserves," such as  
297 "special reserves," "contingent reserves," and "reserve funds"; "accounts," such as "special  
298 accounts" or "clearing accounts"; and "collections," such as "departmental collections" or  
299 "dedicated credits."

300           (3) Provisions of law governing the assessment and collection of the state's various taxes,  
301 licenses, permits, fees, and other charges and provisions controlling the expenditures of those  
302 revenues remain in force and are undisturbed by the provisions of this chapter.

303           (4) Provisions of law that specify that the balance in a fund reverts or is closed out to  
304 another fund ~~[shall mean]~~ means that the balance in that fund reverts to the unappropriated surplus  
305 account of the governmental fund in which that fund is placed.

306           (5) Provisions of law that specify that the balance in a fund ~~[shall]~~ does not lapse or

307 otherwise become part of the state General Fund [~~shall mean~~] means that the balance in that fund  
308 [~~shall~~] does not lapse or otherwise become part of the unappropriated surplus account of the fund  
309 in which that fund is placed.

310 Section 9. Section ~~63-38-3.5~~ is amended to read:

311 **~~63-38-3.5. Internal service funds -- Governance and review.~~**

312 (1) For purposes of this section:

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

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

318 (c) "Revolving loan fund" means each of the revolving loan funds defined in Section  
319 63A-3-205.

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

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

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

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

328 (c) approved the number of full-time, permanent positions of the internal service fund  
329 agency as part of the annual appropriation process; and

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

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

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

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

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

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

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

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

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

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

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

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

359 (iii) last, from an appropriation.

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

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

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

367 (ii) If an internal service fund agency wishes to purchase authorized assets or enter into  
368 equipment leases that would increase its borrowing beyond 90% of the net book value of the

369 agency's capital assets, the agency may purchase those assets only with monies appropriated from  
370 another fund, such as the General Fund or a special revenue fund.

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

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

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

380 Section 10. Section **63-38-6** is amended to read:

381 **63-38-6. Warrants -- Not to be drawn until claim processed -- Redemption.**

382 (1) No warrant to cover any claim against any appropriation or fund shall be drawn until  
383 such claim has been processed as provided by law.

384 (2) The state treasurer shall return all redeemed warrants to the state fiscal officer for  
385 purposes of reconciliation, post-audit and verification of the state treasurer's fund balances. [~~The~~  
386 ~~fiscal officer shall return all redeemed warrants to the state auditor for post-auditing and filing.~~]

387 Section 11. Section **63-38-8** is amended to read:

388 **63-38-8. End of fiscal year -- Unexpended balances -- Funds not to be closed out --**  
389 **Pending claims -- Transfer of amounts from item of appropriation.**

390 (1) As used in this section, "transaction control number" means the unique numerical  
391 identifier established by the Department of Health to track each medical claim, which indicates the  
392 date upon which the claim is entered.

393 (2) On or before [~~July~~] August 31 of each fiscal year, the director of the Division of  
394 Finance shall close out to the proper fund or account all remaining unexpended and unencumbered  
395 balances of appropriations made by the Legislature, except:

396 (a) those funds classified under Title 51, Chapter 5, Funds Consolidation Act as:

397 (i) enterprise funds;

398 (ii) internal service funds;

399 (iii) trust and agency funds;

- 400 (iv) capital projects funds;
- 401 (v) college and university funds; [~~and~~]
- 402 (vi) debt service funds; and
- 403 (vii) permanent funds;
- 404 (b) appropriations made to the Legislature and its committees;
- 405 (c) acquisition and development funds appropriated to the Division of Parks and
- 406 Recreation;
- 407 (d) funds encumbered to pay purchase orders issued prior to May 1 for capital equipment
- 408 if delivery is expected before June 30;
- 409 (e) unexpended and unencumbered balances of appropriations that meet the requirements
- 410 of Section 63-38-8.1; and
- 411 (f) any other appropriations excepted by statute or by an annual appropriations act.
- 412 (3) (a) Liabilities and related expenses for goods and services received on or before June
- 413 30 shall be recognized as expenses due and payable from appropriations made prior to June 30.
- 414 (b) The liability and related expense shall be recognized within time periods established
- 415 by the Division of Finance but shall be recognized not later than [~~July~~] August 31.
- 416 (c) Liabilities and expenses not so recognized may be paid from regular departmental
- 417 appropriations for the subsequent fiscal year, if these claims do not exceed unexpended and
- 418 unencumbered balances of appropriations for the years in which the obligation was incurred.
- 419 (d) No amounts may be transferred from an item of appropriation of any department,
- 420 institution, or agency into the Capital Projects Fund or any other fund without the prior express
- 421 approval of the Legislature.
- 422 (4) (a) For purposes of this chapter, claims processed under the authority of Title 26,
- 423 Chapter 18, Medical Assistance Act, may not be considered a liability to the state for budgetary
- 424 purposes until they are received by the Division of Health Care Financing.
- 425 (b) The transaction control number recorded on each claim invoice by the division is
- 426 considered the date of receipt and is the date that liability is recognized by the state.
- 427 Section 12. Section **63-38-8.1** is amended to read:
- 428 **63-38-8.1. Nonlapsing authority.**
- 429 (1) As used in this section:
- 430 (a) (i) "Agency" means each department, commission, board, council, agency, institution,

431 officer, corporation, fund, division, office, committee, authority, laboratory, library, unit, bureau,  
432 panel, or other administrative unit of the state.

433 (ii) "Agency" does not include those entities whose unappropriated and unencumbered  
434 balances are made nonlapsing by the operation of Subsection 63-38-8(2).

435 (b) "Appropriation balance" means the unexpended and unencumbered balance of a line  
436 item appropriation made by the Legislature to an agency that exists at the end of a fiscal year.

437 (c) "Nonlapsing" means that an agency's appropriation balance is not closed out to the  
438 appropriate fund at the end of a fiscal year as required by Section 63-38-8.

439 (d) "One-time project" means a project or program that can be completed with the  
440 appropriation balance and includes such items as employee incentive awards and bonuses,  
441 purchase of equipment, and one-time training.

442 (e) "One-time project's list" means:

443 (i) a prioritized list of one-time projects, upon which an agency would like to spend any  
444 appropriation balance; and

445 (ii) for each project, the maximum amount the agency is estimating for the project.

446 (f) "Program" means a service provided by an agency to members of the public, other  
447 agencies, or to employees of the agency.

448 (2) Notwithstanding the requirements of Section 63-38-8, an agency may:

449 (a) by following the procedures and requirements of this section, retain and expend any  
450 appropriation balance; and

451 (b) comply with the requirements of Subsections 63-9-67(2) and 63-38-18(2).

452 (3) (a) Each agency that wishes to preserve any part or all of its appropriation balance as  
453 nonlapsing shall include a one-time project's list as part of the budget request that it submits to the  
454 governor and the Legislature at the annual general session of the Legislature immediately before  
455 the end of the fiscal year in which the agency may have an appropriation balance.

456 (b) An agency may not include a proposed expenditure on its one-time project's list if:

457 (i) the expenditure creates a new program;

458 (ii) the expenditure enhances the level of an existing program; or

459 (iii) the expenditure will require a legislative appropriation in the next fiscal year.

460 (c) The governor:

461 (i) may approve some or all of the items from an agency's one-time project's list; and

462 (ii) shall identify and prioritize any approved one-time projects in the budget that he  
463 submits to the Legislature.

464 (4) The Legislature:

465 (a) may approve some or all of the specific items from an agency's one-time project's list  
466 as authorized expenditures of an agency's appropriation balance;

467 (b) shall identify any authorized one-time projects in the appropriate line item  
468 appropriation; and

469 (c) may prioritize one-time projects in intent language.

470 [~~(5) The Legislative Fiscal Analyst shall:~~]

471 [~~(a) conduct a study of the nonlapsing authority granted in this section and its effects on  
472 the budget, the budget process, the source of or reason for the appropriation balance, and the  
473 legislative appropriations power; and]~~

474 [~~(b) report the analysis and any recommendations to the Legislative Management  
475 Committee and Interim Appropriations Committee by October 1, 1996.]~~

476 Section 13. Section ~~63-65-4~~ is amended to read:

477 **63-65-4. Custodial officer -- Powers and duties.**

478 (1) There is created within the Division of Finance an officer responsible for the care,  
479 custody, safekeeping, collection, and accounting of all bonds, notes, contracts, trust documents,  
480 and other evidences of indebtedness owned by:

481 (a) the state or any of its agencies; and

482 (b) revolving loan funds except the:

483 (i) Agriculture Resource Development Fund, created in Section 4-18-6;

484 (ii) Utah Rural Rehabilitation Fund, created in Section 4-19-4;

485 (iii) Petroleum Storage Tank Loan Fund, created in Section 19-6-405.3; and

486 (iv) Olene Walker Housing [~~Trust~~] Loan Fund, created in Section 9-4-702.

487 (2) (a) Each authorizing agency shall deliver to this officer for his care, custody,  
488 safekeeping, collection, and accounting all bonds, notes, contracts, trust documents, and other  
489 evidences of indebtedness owned by:

490 (i) the state or any of its agencies; and

491 (ii) revolving loan funds.

492 (b) This officer shall:

493 (i) establish systems, programs, and facilities for the care, custody, safekeeping, collection,  
494 and accounting for the bonds, notes, contracts, trust documents, and other evidences of  
495 indebtedness submitted to him under this Subsection (2); and

496 (ii) shall make available updated reports to each authorizing agency as to the status of  
497 loans under their authority.

498 (3) The officer described in Section 63-65-3 shall deliver to this officer for his care,  
499 custody, safekeeping, collection, and accounting all bonds, notes, contracts, trust documents, and  
500 other evidences of indebtedness closed as provided in Subsection 63-65-3(2)(b).

501 Section 14. Section **63-88-102** is amended to read:

502 **63-88-102. Trust Fund -- Creation -- Oversight.**

503 (1) There is created [~~an expendable~~] a private-purpose trust fund entitled the "Navajo Trust  
504 Fund."

505 (2) The fund consists of:

506 (a) revenues received by the state that represent the 37-1/2% of the net oil royalties from  
507 the Aneth Extension of the Navajo Indian Reservation required by P.L. 72-403, 47 Stat. 1418, to  
508 be paid to the state;

509 (b) monies received by the trust administrator or Dineh Committee from any contracts  
510 executed by:

511 (i) the trust administrator;

512 (ii) the board; or

513 (iii) the Dineh Committee;

514 (c) appropriations made to the fund by the Legislature, if any;

515 (d) income as defined in Subsection 63-88-101(9); and

516 (e) other revenues received from other sources.

517 (3) The Division of Finance shall account for the receipt and expenditures of fund monies.

518 (4) (a) The state treasurer shall invest fund monies by following the procedures and  
519 requirements of Title 51, Chapter 7, State Money Management Act.

520 (b) (i) The fund shall earn interest.

521 (ii) The state treasurer shall deposit all interest or other revenue earned from investment  
522 of the fund back into the fund.

523 (5) The state auditor shall:

524 (a) conduct an annual audit of the fund's finances, internal controls, and compliance with  
525 statutes, rules, policies, and regulations according to the procedures and requirements of Title 67,  
526 Chapter 3, Auditor; and

527 (b) deliver a copy of that audit report to the:

528 (i) board;

529 (ii) trust administrator;

530 (iii) Dineh Committee;

531 (iv) Office of Legislative Research and General Counsel for presentation to the Native

532 American Legislative Liaison Committee, created in Section 36-22-1;

533 (v) governor's office;

534 (vi) Division of Indian Affairs;

535 (vii) U.S. Bureau of Indian Affairs;

536 (viii) Navajo Nation; and

537 (ix) U.S. Secretary of the Interior.

538 Section 15. Section **73-10c-2** is amended to read:

539 **73-10c-2. Definitions.**

540 As used in this chapter:

541 (1) "Board" means the Board of Water Resources of the Department of Natural Resources.

542 (2) "Council" means the Water Development Coordinating Council created pursuant to  
543 Section 63-34-3, and this chapter.

544 (3) "Credit enhancement agreement" means any agreement entered into under this chapter  
545 between the Drinking Water Board or Water Quality Board, on behalf of the state, and a political  
546 subdivision, for the purpose of providing methods and assistance to political subdivisions to  
547 improve the security for and marketability of drinking water project obligations and wastewater  
548 project obligations.

549 (4) "Drinking Water Board" means the Drinking Water Board created in Title 19, Chapter  
550 4, Safe Drinking Water Act.

551 (5) "Drinking water or wastewater project obligation" means, as appropriate, any bond,  
552 note, or other obligation of a political subdivision issued to finance all or part of the cost of  
553 acquiring, constructing, expanding, upgrading, or improving a drinking water project or  
554 wastewater project.

555 (6) "Drinking water project" means any work or facility necessary or desirable to provide  
556 water for human consumption and other domestic uses, which has at least 15 service connections  
557 or serves an average of 25 individuals daily for at least 60 days of the year and includes collection,  
558 treatment, storage, and distribution facilities under the control of the operator and used primarily  
559 with the system and collection pretreatment or storage facilities used primarily in connection with  
560 the system but not under its control.

561 (7) "Financial assistance programs" means the various programs administered by the state  
562 whereby loans, grants, and other forms of financial assistance are made available to political  
563 subdivisions of this state to finance the costs of water and wastewater projects.

564 (8) "Hardship Grant Assessment" means the charge the Water Quality Board or Drinking  
565 Water Board assesses to recipients of loans under Subsection 73-10c-5(2)(b) or 73-10c-5(3)(b) in  
566 lieu of or in addition to interest charged on these loans.

567 (9) "Nonpoint source project" means any facility, system, practice, or mechanism to abate,  
568 prevent, or reduce pollution of waters of this state caused by nonpoint sources.

569 (10) "Political subdivision" means any county, city, town, improvement district, water  
570 conservancy district, special service district, drainage district, metropolitan water district, irrigation  
571 district, separate legal or administrative entity created under Title 11, Chapter 13, Interlocal  
572 Cooperation Act, or any other entity constituting a political subdivision under the laws of this state.

573 (11) "Security [~~account~~] fund" means the Water Development Security [~~Account~~] Fund  
574 ~~h [within the General Fund] h~~ created by this chapter.

575 (12) "Wastewater project" means any sewer, storm or sanitary sewage system, sewage  
576 treatment facility, lagoon, sewage collection facility and system, and related pipelines, and all  
577 similar systems, and works, and facilities necessary or desirable to collect, hold, cleanse, or purify  
578 any sewage or other polluted waters of this state.

579 (13) "Waters of this state" means any stream, lake, pond, marsh, watercourse, waterway,  
580 well, spring, irrigation system, drainage system, or other body or accumulation of water whether  
581 surface, underground, natural, artificial, public, private, or other water resource of the state which  
582 is contained within or flows in or through the state.

583 (14) "Water Quality Board" means the Water Quality Board created in Title 19, Chapter  
584 5, Water Quality Act.

585 Section 16. Section **73-10c-4** is amended to read:

586           **73-10c-4. Credit enhancement and interest buy-down agreements -- Loans --**  
587 **Hardship grants.**

588           (1) On behalf of the state, the Water Quality Board and the Drinking Water Board may  
589 each enter into credit enhancement agreements with political subdivisions containing terms and  
590 provisions the acting board determines will reasonably improve the security for or marketability  
591 of drinking water and wastewater project obligations, including any of the following:

592           (a) a term providing security for drinking water and wastewater project obligations, as  
593 provided in Subsection 73-10c-6(2)(b), by agreeing to purchase the drinking water or wastewater  
594 project obligations of, or to make loans to, political subdivisions from a subaccount of the security  
595 [account] fund for the purpose of preventing defaults in the payment of principal and interest on  
596 drinking water and wastewater project obligations;

597           (b) a term making loans to political subdivisions to pay the cost of obtaining:

598           (i) letters of credit from banks, savings and loan institutions, insurance companies, or other  
599 financial institutions;

600           (ii) municipal bond insurance; or

601           (iii) other forms of insurance or security to provide security for drinking water and  
602 wastewater project obligations; and

603           (c) a term providing other methods and assistance to political subdivisions which are  
604 reasonable and proper to enhance the marketability of or security for drinking water and  
605 wastewater project obligations.

606           (2) (a) The Drinking Water Board and the Water Quality Board may each make loans from  
607 a security [account] fund subaccount to political subdivisions to finance all or part of drinking  
608 water and wastewater project costs using the procedures established under Sections 73-10b-5,  
609 73-10b-6, 73-10g-4, and 73-10g-5, as applicable.

610           (b) These loans may only be made after credit enhancement agreements, interest buy-down  
611 agreements, and all other financing alternatives have been evaluated by the acting board and the  
612 board determines those options are unavailable or unreasonably expensive for the subdivision  
613 requesting assistance.

614           (c) Loans may be made from the security [account] fund subaccount at interest rates  
615 determined by the board.

616           (d) Loans may not be made from the \$5,000,000 appropriated to the security [account]

617 fund subaccount by the Legislature for fiscal year 1983-84.

618 (3) The Drinking Water Board and the Water Quality Board may each make loans or  
619 grants from the security [~~account~~] fund to political subdivisions for interest buy-down agreements  
620 for drinking water or wastewater project obligations.

621 (4) (a) Of the total amount of money annually available to the Drinking Water Board and  
622 Water Quality Board for financial assistance to political subdivisions, at least 10% shall be  
623 allocated by each board for credit enhancement and interest buy-down agreements.

624 (b) The requirement specified in Subsection (4)(a) shall apply only so long as sales and  
625 use tax is transferred to the Utah Wastewater Loan Program Subaccount and Drinking Water Loan  
626 Program Subaccount as provided in Section 59-12-103.

627 (5) To the extent money is available in the hardship grant subaccounts of the security  
628 [~~account~~] fund, the Drinking Water Board and the Water Quality Board may each make grants to  
629 political subdivisions that meet the drinking water or wastewater project loan considerations  
630 respectively, but whose projects are determined by the granting board to not be economically  
631 feasible unless grant assistance is provided.

632 (6) The Drinking Water and Water Quality Boards may at any time transfer money out of  
633 their respective hardship grant subaccounts of the security [~~account~~] fund to their respective loan  
634 program subaccounts.

635 Section 17. Section **73-10c-5** is amended to read:

636 **73-10c-5. Water Development Security Fund created -- Water Quality Security and**  
637 **Drinking Water Security Subaccounts created -- Use -- Revolving loan funds -- Hardship**  
638 **grants.**

639 (1) There is established [~~a restricted account within the General Fund~~] an enterprise fund  
640 known as the Water Development Security [~~Account~~] Fund which includes the Water Quality  
641 Security Subaccount and the Drinking Water Security Subaccount.

642 (2) The Water Quality Security Subaccount consists of three subaccounts:

643 (a) the Utah Wastewater Loan Program Subaccount, which consists of:

644 (i) money appropriated to the subaccount by the Legislature;

645 (ii) money received from the repayment of the principal of loans made by the Water  
646 Quality Board under Sections 73-10b-5, 73-10c-4, 73-10c-6, 73-10g-4, and 73-10h-4 from the  
647 Utah Wastewater Loan Program Subaccount;

648 (iii) except for payments, if any, necessary to comply with Section 148(f), Internal  
649 Revenue Code of 1986, income earned after June 30, 1984, on proceeds of bonds authorized by  
650 Sections 73-10b-5, 73-10g-4, and 73-10h-4; and  
651 (iv) money deposited in the subaccount under any other law;  
652 (b) the Utah State Revolving Fund for Wastewater Projects Subaccount, which consists  
653 of:  
654 (i) money appropriated to the subaccount by the Legislature;  
655 (ii) money received from the Utah Wastewater Loan Program Subaccount applied to meet  
656 match requirements for federal funds under 33 U.S.C.A. 1251 et seq., federal Clean Water Act;  
657 (iii) money received from the repayment of loans made by the Water Quality Board under  
658 Section 73-10c-4 from the Utah State Revolving Fund for Wastewater Projects Subaccount;  
659 (iv) money received from the repayment of loans made by the Water Quality Board under  
660 Section 73-10c-4.5;  
661 (v) money deposited in the subaccount under any other law;  
662 (vi) money received under and subject to the restrictions of 33 U.S.C.A. 1251 et seq.,  
663 federal Clean Water Act, and which is eligible for use in state revolving loan funds established to  
664 meet the requirements of the act; and  
665 (vii) all investment income derived from money in the Utah State Revolving Fund for  
666 Wastewater Projects Subaccount; and  
667 (c) the Hardship Grant Program for Wastewater Projects Subaccount, which consists of:  
668 (i) money appropriated to the subaccount by the Legislature;  
669 (ii) money received as interest payments on loans made by the Water Quality Board under  
670 Sections 73-10b-5, 73-10c-4, 73-10c-6, 73-10g-4, and 73-10h-4, from the Utah Wastewater Loan  
671 Program Subaccount;  
672 (iii) money deposited in the subaccount under any other law;  
673 (iv) the Hardship Grant Assessment charged to State Revolving Fund loan recipients; and  
674 (v) all investment income derived from money in the Utah Wastewater Loan Program  
675 Subaccount or the Hardship Grant Program for Wastewater Projects Subaccount.  
676 (3) The Drinking Water Security Subaccount consists of three subaccounts:  
677 (a) the Drinking Water Loan Program Subaccount, which consists of:  
678 (i) money appropriated to the subaccount by the Legislature;

- 679 (ii) money received from the repayment of the principal of loans made by the Drinking  
680 Water Board under Sections 73-10b-6, 73-10c-4, 73-10c-6, 73-10g-5, and 73-10h-5, from the  
681 Drinking Water Loan Program Subaccount;
- 682 (iii) except for payments, if any, necessary to comply with Section 148(f), Internal  
683 Revenue Code of 1986, income earned after June 30, 1984, on proceeds of bonds authorized by  
684 Sections 73-10b-6, 73-10g-5, and 73-10h-5; and
- 685 (iv) money deposited in the subaccount under any other law;
- 686 (b) the State Revolving Fund for Drinking Water Projects Subaccount, which consists of:
- 687 (i) money appropriated to the subaccount by the Legislature;
- 688 (ii) money received from the Utah Drinking Water Loan Program Subaccount and applied  
689 to meet match requirements for federal funds under 42 U.S.C.A. 300f et seq., federal Safe Drinking  
690 Water Act;
- 691 (iii) money received from the repayment of loans made by the Drinking Water Board under  
692 Section 73-10c-4 from the State Revolving Fund for Drinking Water Projects Subaccount;
- 693 (iv) money deposited in the subaccount under any other law;
- 694 (v) money received under and subject to the restrictions of 42 U.S.C.A. 300f et seq.,  
695 federal Safe Drinking Water Act, and which is eligible for use in state revolving loan funds  
696 established to meet the requirements of the act; and
- 697 (vi) all investment income derived from money in the State Revolving Fund for Drinking  
698 Water Projects Subaccount; and
- 699 (c) the Hardship Grant Program for Drinking Water Projects Subaccount, which consists  
700 of:
- 701 (i) money appropriated to the subaccount by the Legislature;
- 702 (ii) money received from interest payments on loans made by the Drinking Water Board  
703 under Sections 73-10b-6, 73-10c-4, 73-10c-6, 73-10g-5, and 73-10h-5, from the Drinking Water  
704 Loan Program Subaccount;
- 705 (iii) money deposited in the subaccount under any other law;
- 706 (iv) the Hardship Grant Assessment charged to State Revolving Fund loan recipients; and
- 707 (v) all investment income derived from money in the Drinking Water Loan Program  
708 Subaccount or the Hardship Grant Program for Drinking Water Projects Subaccount.
- 709 (4) State monies in the Water Quality Security Subaccount and the Drinking Water

710 Security Subaccount may be applied to meet match requirements for federal funds under 33  
711 U.S.C.A. 1251 et seq., federal Clean Water Act and 42 U.S.C.A. 300f et seq., federal Safe  
712 Drinking Water Act.

713 (5) If the money in the security [~~account~~] fund is insufficient for the purposes for which  
714 the security [~~account~~] fund is established, the council shall ask the governor to request the  
715 Legislature to appropriate additional money to the account.

716 (6) (a) The Drinking Water Board and Water Quality Board may use the money in the  
717 appropriate security [~~account~~] fund subaccount only to the extent of the money available in the  
718 account, for the support of drinking water projects and wastewater projects in accordance with the  
719 terms of credit enhancement agreements, grant agreements, and loan agreements.

720 (b) Repayments to the security [~~account~~] fund from loans made by the acting board,  
721 monies allocated by the Legislature, and interest accrued on these monies shall remain available  
722 for use by that board for further project funding.

723 (7) Funds received under Section 1452 of the federal Safe Drinking Water Act, 42  
724 U.S.C.A. 300f et seq., may be used for providing financial assistance to community water systems  
725 and nonprofit noncommunity water systems as defined and within the limits of that act.

726 Section 18. Section **73-10c-6** is amended to read:

727 **73-10c-6. Credit enhancement agreement -- Provisions for use of funds.**

728 (1) (a) A credit enhancement agreement may be made for the purpose of facilitating  
729 financing for political subdivisions.

730 (b) A credit enhancement agreement may provide for the use of funds from the security  
731 [~~account~~] fund to accomplish the purposes specified in Section 73-10c-4.

732 (2) (a) The political subdivision, prior to the sale or issuance of a drinking water or a  
733 wastewater project obligation, shall:

734 (i) apply to the Drinking Water Board or Water Quality Board to have its drinking water  
735 or wastewater project obligation or both, as desired, designated as covered by a credit enhancement  
736 agreement; and

737 (ii) have entered into a credit enhancement agreement with the Drinking Water Board or  
738 Water Quality Board setting forth the terms and conditions of the security or other forms of  
739 assistance provided by the agreement.

740 (b) The Drinking Water Board and Water Quality Board may not designate any drinking

741 water or wastewater project obligation as covered by the credit enhancement agreement:

742 (i) unless immediately after the designation there is on deposit in the security [account]  
743 fund, based on the purchase or then market price of the investments therein, whichever is lower,  
744 an amount determined by the Drinking Water Board or Water Quality Board to be sufficient to:

745 (A) reasonably improve the security for and marketability of the drinking water or  
746 wastewater project obligation, or both; and

747 (B) comply with the terms and provisions of all existing credit enhancement agreements;  
748 and

749 (ii) while held by the state, any agency of the state, the federal government, or any agency  
750 of the federal government.

751 (c) A drinking water project obligation may not be designated as covered by a credit  
752 enhancement agreement unless the drinking water project for which it was issued by the political  
753 subdivision has been approved by the Department of Environmental Quality, acting through the  
754 Drinking Water Board.

755 (d) A wastewater project obligation may not be designated as secured by a credit  
756 enhancement unless the wastewater project for which it was issued by the political subdivision has  
757 been approved by the Department of Environmental Quality, acting through the Water Quality  
758 Board.

759 (3) (a) A credit enhancement agreement must provide that the security provided under this  
760 chapter and the credit enhancement agreement:

761 (i) is limited to the money available in the security [account] fund; and

762 (ii) does not constitute a pledge of or charge against the general revenues, credit, or taxing  
763 powers of the state or any political subdivision.

764 (b) A credit enhancement agreement which obligates the state to pay principal of or  
765 interest on any drinking water or wastewater project obligation, including any credit enhancement  
766 agreement entered into under Section 73-10c-4, may provide that:

767 (i) the political subdivision or its agent will notify the council whenever it is not able to  
768 pay principal of or interest on the drinking water or wastewater project obligation covered by the  
769 credit enhancement agreement and request payment from the security [account] fund; and

770 (ii) money in the security [account] fund needed to make the payment requested by the  
771 political subdivision may be segregated within the security [account] fund and held until the

772 requested payment is made.

773 (c) A default of the political subdivision under the drinking water or wastewater project  
774 obligation may not alter, in any manner, the obligations of the state as provided in the credit  
775 enhancement agreement.

776 (d) Any drinking water or wastewater project obligation covered by the credit enhancement  
777 agreement which is represented by a bond, note, or other written instrument shall bear a legend  
778 which states these provisions and makes reference to this chapter and the credit enhancement  
779 agreement pursuant to which the obligation is secured.

780 (4) Any credit enhancement agreement for a drinking water or wastewater project  
781 obligation may provide that the Drinking Water Board or Water Quality Board:

782 (a) purchase from the money in the security [~~account~~] fund the obligation which the  
783 political subdivision is unable to pay, whereupon the Drinking Water Board or Water Quality  
784 Board, on behalf of the state, will become the holder of the obligation and entitled to all rights of  
785 a holder under the terms of the obligation;

786 (b) pay, as a loan to the political subdivision from the money in the security [~~account~~]  
787 fund, to the holder of the obligation the principal or interest, or both, due or to become due on the  
788 obligation which the political subdivision is unable to pay;

789 (c) take both actions referred to in Subsections (4)(a) and (b) relating to any issue of  
790 obligations; or

791 (d) take any other action specified in or contemplated by the credit enhancement  
792 agreement.

793 (5) (a) Any credit enhancement agreement must require that the political subdivision repay  
794 to the state any loan of money made from the security [~~account~~] fund to make any payments  
795 specified in the credit enhancement agreement, which repayment obligation may also be evidenced  
796 by bonds or notes of the political subdivision, as the Drinking Water Board or Water Quality Board  
797 may determine.

798 (b) The loan may be for a term, may bear interest at a rate or rates or may bear no interest,  
799 as the Drinking Water Board or Water Quality Board may determine, and may be secured by any  
800 security the Drinking Water Board or Water Quality Board may determine.

801 (c) The interest rate for any loan contemplated by, but not made at the time the credit  
802 enhancement agreement is executed, may be specified in relationship to a prime rate or other

803 identifiable rate existing at the time the loan is made.

804 (d) The term of the loan may be specified in the credit enhancement agreement as a  
805 maximum term and the actual term stated when the loan is made.

806 (e) Any security for the loan may include:

807 (i) a pledge of the revenues from the particular drinking water project or wastewater  
808 project;

809 (ii) an assignment from the holder or holders of the drinking water or wastewater project  
810 obligation of the holders' interest in any security for the obligation in the amount needed to service  
811 the indebtedness represented by the loan; or

812 (iii) any other security device.

813 (f) The Drinking Water Board or Water Quality Board, on behalf of the state, is subrogated  
814 to all rights of the holder of the drinking water or wastewater project obligation against the  
815 political subdivision which issued the obligation with respect to the collection of the amount of  
816 the loan, but the state is not relieved by this subrogation from its obligation to make payments from  
817 the security [~~account~~] fund as provided in its credit enhancement agreement with the political  
818 subdivision.

819 (6) Prior to entering into a credit enhancement agreement, the Drinking Water Board or  
820 Water Quality Board shall obtain an opinion of counsel experienced in bond matters to the effect  
821 that the drinking water or wastewater project obligation to be purchased or with respect to which  
822 a loan is to be made, is a valid and binding obligation of the political subdivision which issued it.

823 (7) Prior to making any payment under the credit enhancement agreement, the Drinking  
824 Water Board or Water Quality Board shall:

825 (a) verify the correctness of the information in any notification referred to in Subsection  
826 (3); and

827 (b) determine that funds in the security [~~account~~] fund are adequate to purchase the  
828 drinking water or wastewater project obligations or to make any loan of funds provided by the  
829 credit enhancement agreement.

830 Section 19. Section **73-10c-7** is amended to read:

831 **73-10c-7. Use of deposits in security fund.**

832 All money and investments [~~from time to time~~] on deposit in the security [~~account~~] fund  
833 shall be held for the purposes for which the security [~~account~~] fund is established, as provided in

834 this chapter, and [~~shall~~] may not be used for any other purpose.

835 Section 20. Section **73-10c-9** is amended to read:

836 **73-10c-9. Investments of money in security fund.**

837 (1) Unless otherwise required to preserve the exemption of any obligations of the state  
838 from federal taxation, the state treasurer shall invest the money in the security [~~account~~] fund by  
839 following the procedures and requirements of Title 51, Chapter 7, State Money Management Act.

840 (2) If necessary to preserve the exemption of any obligations of the state from federal  
841 taxation, the board may make investments in any manner necessary to preserve this exemption.

842 Section 21. **Effective date.**

843 This act takes effect on July 1, 2001.

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**Legislative Review Note**  
**as of 1-24-01 3:36 PM**

A limited legal review of this legislation raises no obvious constitutional or statutory concerns.

**Office of Legislative Research and General Counsel**