

**STATE SPENDING AND DEBT  
LIMITATIONS AMENDMENTS**

2004 GENERAL SESSION

STATE OF UTAH

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**LONG TITLE**

**General Description:**

This bill modifies statutory appropriation limits and statutory debt limits.

**Highlighted Provisions:**

This bill:

- ▶ modifies the formula for calculating the state appropriation limit and the state debt limit;
- ▶ eliminates a portion of the existing formula; and
- ▶ makes technical corrections.

**Monies Appropriated in this Bill:**

None

**Other Special Clauses:**

None

**Utah Code Sections Affected:**

AMENDS:

**63-38c-102**, as last amended by Chapter 16, Laws of Utah 2003

**63-38c-103**, as last amended by Chapters 16 and 88, Laws of Utah 2003

**63-38c-201**, as renumbered and amended by Chapter 275, Laws of Utah 1996

**63-38c-202**, as last amended by Chapter 16, Laws of Utah 2003

**63-38c-402**, as last amended by Chapter 266, Laws of Utah 2002

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

Section 1. Section **63-38c-102** is amended to read:

**63-38c-102. Purpose of chapter -- Limitations on state mandated property tax, state appropriations, and state debt.**

(1) (a) It is the purpose of this chapter to:

(i) place a limitation on the state mandated property tax rate under Title 53A, Chapter 17a, Minimum School Program Act;

(ii) place limitations on state government appropriations based upon [~~the average of changes in personal income and~~] the combined changes in population and inflation; and

(iii) place a limitation on the state's outstanding general obligation debt.

(b) The limitations imposed by this chapter are in addition to limitations on tax levies, rates, and revenues otherwise provided for by law.

(2) (a) This chapter may not be construed as requiring the state to collect the full amount of tax revenues permitted to be appropriated by this chapter.

(b) This chapter's purpose is to provide a ceiling, not a floor, limitation on the appropriations of state government.

(3) The recommendations and budget analysis prepared by the Governor's Office of Planning and Budget and the Office of the Legislative Fiscal Analyst, as required by Title 36, Chapter 12, Legislative Organization, shall be in strict compliance with the limitations imposed under this chapter.

Section 2. Section **63-38c-103** is amended to read:

**63-38c-103. Definitions.**

As used in this chapter:

(1) (a) "Appropriations" means actual unrestricted capital and operating appropriations from unrestricted General Fund~~[-Uniform School Fund, and Transportation Fund]~~ sources and from non-Uniform School Fund income tax revenues as presented in the governor's executive budgets.

(b) "Appropriation" includes appropriations that are contingent upon available surpluses in the General Fund~~[-Uniform School Fund, or Transportation Fund]~~.

~~[(c) "Appropriation" includes appropriations made to the Centennial Highway Fund from unrestricted General Fund and Transportation Fund revenues.]~~

~~[(d)]~~ (c) "Appropriations" does not mean:

- (i) debt service expenditures;
- (ii) emergency expenditures;
- (iii) expenditures from all other fund or subfund sources presented in the executive budgets;
- (iv) transfers into, or appropriations made to, the General Fund Budget Reserve Account established in Section 63-38-2.5;
- (v) transfers into, or appropriations made to, the Education Budget Reserve Account established in Section 63-38-2.6;
- (vi) monies appropriated to fund the total one-time project costs for the construction of capital developments as defined in Section 63A-5-104; or
- (vii) appropriations made to the Centennial Highway Fund ~~[from sources other than the unrestricted General Fund and Transportation Fund revenues]~~ created by Section 72-2-118.

(2) "Base year real per capita appropriations" means the result obtained for the state by dividing the fiscal year 1985 actual appropriations of the state less debt monies~~[-less \$55 million appropriated for flooding and less \$14.2 million appropriated for capital projects in Section 3 of Chapter 265, Laws of Utah 1985 General Session,]~~ by:

- (a) the state's July 1, 1983 population; and
  - (b) the fiscal year 1983 inflation index divided by 100.
- (3) "Calendar year" means the time period beginning on January 1 of any given year and

ending on December 31 of the same year.

(4) "Fiscal emergency" means an extraordinary occurrence requiring immediate expenditures and includes the settlement under Chapter 4, Laws of Utah 1988, Fourth Special Session.

(5) "Fiscal year" means the time period beginning on July 1 of any given year and ending on June 30 of the subsequent year.

(6) "Fiscal year 1985 actual base year appropriations" means fiscal year 1985 actual capital and operations appropriations from General~~[, uniform school, and transportation]~~ Fund and non-Uniform School Fund income tax revenue sources, less debt monies~~[, less \$55 million appropriated for flooding, and less \$14.2 million appropriated for capital projects in Section 3, Chapter 265, Laws of Utah 1985].~~

(7) "Inflation index" means the change in the general price level of goods and services as measured by the Gross National Product Implicit Price Deflator of the Bureau of Economic Analysis, U.S. Department of Commerce calculated as provided in Section 63-38c-202.

(8) (a) "Maximum allowable appropriations limit" means the appropriations that could be, or could have been, spent in any given year under the limitations of this chapter.

(b) "Maximum allowable appropriations limit" does not mean actual appropriations spent or actual expenditures.

(9) "Most recent fiscal year's inflation index" means the fiscal year inflation index two fiscal years previous to the fiscal year for which the maximum allowable inflation and population appropriations limit is being computed under this chapter.

~~[(10) "Most recent fiscal year's personal income" means the fiscal year personal income two fiscal years previous to the fiscal year for which the maximum allowable personal income appropriations limit is being computed under this chapter.]~~

~~[(11)]~~ (10) "Most recent fiscal year's population" means the fiscal year population two fiscal years previous to the fiscal year for which the maximum allowable inflation and population appropriations limit is being computed under this chapter.

~~[(12) "Personal income" means the total personal income of the state as calculated by the~~

Governor's Office of Planning and Budget according to the procedures and requirements of ~~Section 63-38c-202.~~]

~~[(13)]~~ (11) "Population" means the number of residents of the state as of July 1 of each year as calculated by the Governor's Office of Planning and Budget according to the procedures and requirements of Section 63-38c-202.

~~[(14)]~~ (12) "Revenues" means the revenues of the state from every tax, penalty, receipt, and other monetary exaction and interest connected with it that are recorded as unrestricted revenue of the General Fund~~[, Uniform School Fund, and Transportation Fund,]~~ and from non-Uniform School Fund income tax revenues, except as specifically exempted by this chapter.

~~[(15)]~~ (13) "Security" means any bond, note, warrant, or other evidence of indebtedness, whether or not the bond, note, warrant, or other evidence of indebtedness is or constitutes an "indebtedness" within the meaning of any provision of the constitution or laws of this state.

Section 3. Section **63-38c-201** is amended to read:

**63-38c-201. Appropriations limit -- Formula.**

(1) There is established a state appropriations limit for each fiscal year beginning after June 30, 1988.

(2) For each of these fiscal years, the annual legislative appropriations for this state, its agencies, departments, and institutions may not exceed that sum determined by ~~[the average of the two formulas specified in Subsections (2)(h) and (i)]~~ applying the formula  $B * P * (I/100)$  in which:

~~[(a) "Z" equals the most recent fiscal year's personal income;]~~

~~[(b) "Y" equals personal income for the fiscal year just previous to "Z";]~~

~~[(c) "A" equals the prior fiscal year's maximum allowable personal income appropriations limit beginning with fiscal year 1985 actual base year appropriations;]~~

~~[(d)]~~ (a) "B" equals the base year real per capita appropriations for the state, its agencies, departments, and institutions;

~~[(e)]~~ (b) "P" equals the most recent fiscal year's population; and

~~[(f)]~~ (c) "I" equals the most recent fiscal year's inflation index adjusted to reflect fiscal

year 1989 as having an index value of 100.

~~[(g)]~~ (3) The revenues specified in Section 63-38c-205 are not subject to the limitation in this section.

~~[(h) Formula 1:  $B * P * (I/100) = \text{Maximum Allowable Inflation and Population Appropriations Limit.}$ ]~~

~~[(i) Formula 2:  $A * (Z/Y) = \text{Maximum Allowable Personal Income Appropriations Limit.}$ ]~~

Section 4. Section **63-38c-202** is amended to read:

**63-38c-202. Computing formula elements.**

~~[(1) For purposes of computing the most recent fiscal year's personal income, the Governor's Office of Planning and Budget shall use the quarterly data produced by the Bureau of Economic Analysis, U.S. Department of Commerce.]~~

~~[(2)]~~ (1) For purposes of calculating fiscal year inflation indexes ~~[and fiscal year personal income]~~ for the previous fiscal year, the Governor's Office of Planning and Budget shall use:

(a) the actual quarterly data released by the U.S. Department of Commerce as of January 31 of each year; and

(b) the most recent U.S. Bureau of Census population estimates as of January 31 of each year.

~~[(3)]~~ (2) (a) For purposes of computing the inflation index, the Governor's Office of Planning and Budget shall:

(i) assign the bureau's 1982 calendar year inflation index value of 100 to fiscal year 1989 for purposes of computing fiscal year index values;

(ii) compute all subsequent fiscal year inflation indexes after having assigned the fiscal year 1989 inflation index a value of 100; and

(iii) use the quarterly index values published by the Bureau of Economic Analysis, U.S. Department of Commerce, to compute fiscal year index values.

(b) If the bureau changes its calendar base year, appropriate adjustments are to be made in this chapter to accommodate those changes.

~~[(4)]~~ (3) (a) For purposes of computing the most recent fiscal year's population, the

Governor's Office of Planning and Budget shall convert the April 1 decennial census estimate to a July 1 estimate, unless otherwise estimated by the Bureau of Census.

(b) If the bureau changes the state's July 1, 1983 base year population after it conducts the 1990 Census, appropriate adjustments shall be made in this chapter to accommodate those changes.

Section 5. Section **63-38c-402** is amended to read:

**63-38c-402. Debt limitation -- Vote requirement needed to exceed limitation --**

**Exceptions.**

(1) (a) Except as provided in Subsection (1)(b), the outstanding general obligation debt of the state may not exceed [~~20%~~ 45%] of the maximum allowable appropriations limit unless approved by more than a two-thirds vote of both houses of the Legislature.

(b) Notwithstanding the limitation contained in Subsection (1)(a), debt issued under the authority of the following parts is not subject to the debt limitation established by this section:

- (i) Title 63B, Chapter 6, Part 2, 1997 Highway General Obligation Bond Authorization;
  - (ii) Title 63B, Chapter 6, Part 3, 1997 Highway Bond Anticipation Note Authorization;
  - (iii) Title 63B, Chapter 7, Part 2, 1998 Highway General Obligation Bond Authorization;
  - (iv) Title 63B, Chapter 7, Part 3, 1998 Highway Bond Anticipation Note Authorization;
  - (v) Title 63B, Chapter 8, Part 2, 1999 Highway General Obligation Bond Authorization;
  - (vi) Title 63B, Chapter 8, Part 3, 1999 Highway Bond Anticipation Note Authorization;
  - (vii) Title 63B, Chapter 9, Part 2, 2000 Highway General Obligation Bond;
  - (viii) Title 63B, Chapter 10, Part 1, 2001 Highway General Obligation Bond;
  - (ix) Title 63B, Chapter 10, Part 2, 2001 Highway General Obligation Bond Anticipation Notes;
  - (x) Title 63B, Chapter 11, Part 5, 2002 Highway General Obligation Bond for Salt Lake County; and
  - (xi) Title 63B, Chapter 11, Part 6, 2002 Highway General Obligation Bond Anticipation Notes for Salt Lake County Authorization.
- (2) This section does not apply if contractual rights will be impaired.

