

FEDERAL FUNDS BUDGET RESERVE ACCOUNT

2016 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Wayne A. Harper

House Sponsor: Ken Ivory

LONG TITLE

General Description:

This bill modifies the Budgetary Procedures Act by enacting a Federal Funds Budget Reserve Account.

Highlighted Provisions:

This bill:

- ▶ provides definitions;
- ▶ creates the Federal Funds Budget Reserve Account;
- ▶ specifies revenue sources for the Federal Funds Budget Reserve Account;
- ▶ addresses General Fund revenue surpluses that are transferred into the Federal Funds Budget Reserve Account;
- ▶ specifies how revenue in the Federal Funds Budget Reserve Account shall be used;
- ▶ requires the Office of the Legislative Fiscal Analyst to make certain notifications;

and

- ▶ makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:



- 28 [63J-1-314](#), as last amended by Laws of Utah 2013, Chapter 295
- 29 [63J-1-315](#), as last amended by Laws of Utah 2015, Chapter 283
- 30 [63J-3-103](#), as last amended by Laws of Utah 2014, Chapter 63
- 31 [63N-3-106](#), as renumbered and amended by Laws of Utah 2015, Chapter 283

32 ENACTS:

33 [63J-1-316](#), Utah Code Annotated 1953



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

36 Section 1. Section [63J-1-314](#) is amended to read:

37 **[63J-1-314](#). Deposits related to the Disaster Recovery Funding Act.**

38 (1) As used in this section, "operating deficit" means that, at the end of the fiscal year,
39 the unassigned fund balance in the General Fund is less than zero.

40 (2) Except as provided under Subsection (3), at the end of each fiscal year, the Division
41 of Finance shall, after the transfer of General Fund revenue surplus has been made to the
42 Medicaid Growth Reduction and Budget Stabilization Account, as provided in Section
43 [63J-1-315](#), [and] the General Fund Budget Reserve Account, as provided in Section [63J-1-312](#),
44 and the Federal Funds Budget Reserve Account, as provided in Section [63J-1-316](#), transfer an
45 amount into the State Disaster Recovery Restricted Account, created in Section [53-2a-603](#),
46 from the General Fund revenue surplus as defined in Section [63J-1-312](#), calculated by:

- 47 (a) determining the amount of General Fund revenue surplus after the transfer to:
 - 48 (i) the Medicaid Growth Reduction and Budget Stabilization Account under Section
 - 49 [63J-1-315](#) [and];
 - 50 (ii) the General Fund Budget Reserve Account under Section [63J-1-312](#); and
 - 51 (iii) the Federal Funds Budget Reserve Account under Section [63J-1-316](#);

52 (b) calculating an amount equal to the lesser of:
53 (i) 25% of the amount determined under Subsection (2)(a); or
54 (ii) 6% of the total of the General Fund appropriation amount for the fiscal year in
55 which the surplus occurs; and

- 56 (c) adding to the amount calculated under Subsection (2)(b) an amount equal to the
57 lesser of:
 - 58 (i) 25% more of the amount described in Subsection (2)(a); or

59 (ii) the amount necessary to replace, in accordance with this Subsection (2)(c), any
60 amount appropriated from the State Disaster Recovery Restricted Account within 10 fiscal
61 years before the fiscal year in which the surplus occurs if:

62 (A) a surplus exists; and

63 (B) the Legislature appropriates money from the State Disaster Recovery Restricted
64 Account that is not replaced by appropriation or as provided in this Subsection (2)(c).

65 (3) Notwithstanding Subsection (2), if, at the end of a fiscal year, the Division of
66 Finance determines that an operating deficit exists, the division shall reduce the transfer to the
67 State Disaster Recovery Restricted Account by the amount necessary to eliminate the operating
68 deficit.

69 Section 2. Section **63J-1-315** is amended to read:

70 **63J-1-315. Medicaid Growth Reduction and Budget Stabilization Account --**

71 **Transfers of Medicaid growth savings -- Base budget adjustments.**

72 (1) As used in this section:

73 (a) "Department" means the Department of Health created in Section [26-1-4](#).

74 (b) "Division" means the Division of Health Care Financing created within the
75 department under Section [26-18-2.1](#).

76 (c) "General Fund revenue surplus" means a situation where actual General Fund
77 revenues collected in a completed fiscal year exceed the estimated revenues for the General
78 Fund for that fiscal year that were adopted by the Executive Appropriations Committee of the
79 Legislature.

80 (d) "Medicaid growth savings" means the Medicaid growth target minus Medicaid
81 program expenditures, if Medicaid program expenditures are less than the Medicaid growth
82 target.

83 (e) "Medicaid growth target" means Medicaid program expenditures for the previous
84 year multiplied by 1.08.

85 (f) "Medicaid program" is as defined in Section [26-18-2](#).

86 (g) "Medicaid program expenditures" means total state revenue expended for the
87 Medicaid program from the General Fund, including restricted accounts within the General
88 Fund, during a fiscal year.

89 (h) "Medicaid program expenditures for the previous year" means total state revenue

90 expended for the Medicaid program from the General Fund, including restricted accounts
91 within the General Fund, during the fiscal year immediately preceding a fiscal year for which
92 Medicaid program expenditures are calculated.

93 (i) "Operating deficit" means that, at the end of the fiscal year, the unassigned fund
94 balance in the General Fund is less than zero.

95 (j) "State revenue" means revenue other than federal revenue.

96 (k) "State revenue expended for the Medicaid program" includes money transferred or
97 appropriated to the Medicaid Growth Reduction and Budget Stabilization Account only to the
98 extent the money is appropriated for the Medicaid program by the Legislature.

99 (2) There is created within the General Fund a restricted account to be known as the
100 Medicaid Growth Reduction and Budget Stabilization Account.

101 (3) (a) (i) Except as provided in Subsection (6), if, at the end of a fiscal year, there is a
102 General Fund revenue surplus, the Division of Finance shall transfer an amount equal to
103 Medicaid growth savings from the General Fund to the Medicaid Growth Reduction and
104 Budget Stabilization Account.

105 (ii) If the amount transferred is reduced to prevent an operating deficit, as provided in
106 Subsection (6), the Legislature shall include, to the extent revenue is available, an amount
107 equal to the reduction as an appropriation from the General Fund to the account in the base
108 budget for the second fiscal year following the fiscal year for which the reduction was made.

109 (b) If, at the end of a fiscal year, there is not a General Fund revenue surplus, the
110 Legislature shall include, to the extent revenue is available, an amount equal to Medicaid
111 growth savings as an appropriation from the General Fund to the account in the base budget for
112 the second fiscal year following the fiscal year for which the reduction was made.

113 (c) Subsections (3)(a) and (3)(b) apply only to the fiscal year in which the department
114 implements the proposal developed under Section 26-18-405 to reduce the long-term growth in
115 state expenditures for the Medicaid program, and to each fiscal year after that year.

116 (4) The Division of Finance shall calculate the amount to be transferred under
117 Subsection (3):

118 (a) before transferring revenue from the General Fund revenue surplus to:

119 (i) the General Fund Budget Reserve Account under Section 63J-1-312; ~~and~~

120 (ii) the Federal Funds Budget Reserve Account under Section 63J-1-316; and

- 121 ~~[(f)]~~ (iii) the State Disaster Recovery Restricted Account under Section [63J-1-314](#);
- 122 (b) before earmarking revenue from the General Fund revenue surplus to the Industrial
123 Assistance Account under Section [63N-3-106](#); and
- 124 (c) before making any other year-end contingency appropriations, year-end set-asides,
125 or other year-end transfers required by law.
- 126 (5) (a) If, at the close of any fiscal year, there appears to be insufficient money to pay
127 additional debt service for any bonded debt authorized by the Legislature, the Division of
128 Finance may hold back from any General Fund revenue surplus money sufficient to pay the
129 additional debt service requirements resulting from issuance of bonded debt that was
130 authorized by the Legislature.
- 131 (b) The Division of Finance may not spend the hold back amount for debt service
132 under Subsection (5)(a) unless and until it is appropriated by the Legislature.
- 133 (c) If, after calculating the amount for transfer under Subsection (3), the remaining
134 General Fund revenue surplus is insufficient to cover the hold back for debt service required by
135 Subsection (5)(a), the Division of Finance shall reduce the transfer to the Medicaid Growth
136 Reduction and Budget Stabilization Account by the amount necessary to cover the debt service
137 hold back.
- 138 (d) Notwithstanding Subsections (3) and (4), the Division of Finance shall hold back
139 the General Fund balance for debt service authorized by this Subsection (5) before making any
140 transfers to the Medicaid Growth Reduction and Budget Stabilization Account or any other
141 designation or allocation of General Fund revenue surplus.
- 142 (6) Notwithstanding Subsections (3) and (4), if, at the end of a fiscal year, the Division
143 of Finance determines that an operating deficit exists and that holding back earmarks to the
144 Industrial Assistance Account under Section [63N-3-106](#), transfers to the State Disaster
145 Recovery Restricted Account under Section [63J-1-314](#), transfers to the Federal Funds Budget
146 Reserve Account under Section [63J-1-316](#), transfers to the General Fund Budget Reserve
147 Account under Section [63J-1-312](#), or earmarks and transfers to more than one of those
148 accounts, in that order, does not eliminate the operating deficit, the Division of Finance may
149 reduce the transfer to the Medicaid Growth Reduction and Budget Stabilization Account by the
150 amount necessary to eliminate the operating deficit.
- 151 (7) The Legislature may appropriate money from the Medicaid Growth Reduction and

152 Budget Stabilization Account only:

153 (a) if Medicaid program expenditures for the fiscal year for which the appropriation is
154 made are estimated to be 108% or more of Medicaid program expenditures for the previous
155 year; and

156 (b) for the Medicaid program.

157 (8) The Division of Finance shall deposit interest or other earnings derived from
158 investment of Medicaid Growth Reduction and Budget Stabilization Account money into the
159 General Fund.

160 Section 3. Section **63J-1-316** is enacted to read:

161 **63J-1-316. Federal Funds Budget Reserve Account.**

162 (1) As used in this section:

163 (a) (i) "Federal funds" means cash or other money received from the United States
164 government, or from other individuals or entities for or on behalf of the United States
165 government, and deposited with the state treasurer or any agency of the state.

166 (ii) "Federal funds" includes federal assistance and federal assistance programs,
167 however described.

168 (iii) "Federal funds" does not include money received from the United States
169 government to reimburse the state for money expended by the state.

170 (b) "General Fund revenue surplus" means a situation where actual General Fund
171 revenues collected in a completed fiscal year exceed the estimated revenues for the General
172 Fund for that fiscal year that were adopted by the Executive Appropriations Committee of the
173 Legislature.

174 (c) "Operating deficit" means that, at the end of the fiscal year, the unassigned fund
175 balance in the General Fund is less than zero.

176 (2) There is created within the General Fund a restricted account known as the Federal
177 Funds Budget Reserve Account.

178 (3) (a) (i) Except as provided in Subsection (3)(a)(ii), at the end of any fiscal year in
179 which the Division of Finance, in consultation with the legislative fiscal analyst and in
180 conjunction with the completion of the annual audit by the state auditor, determines that there
181 is a General Fund revenue surplus, the Division of Finance shall transfer 11% of the General
182 Fund revenue surplus to the Federal Funds Budget Reserve Account.

183 (ii) If the transfer of 11% of the General Fund revenue surplus to the Federal Funds
184 Budget Reserve Account would cause the balance in the account to exceed 8% of total federal
185 funds received by the state for the fiscal year in which the revenue surplus occurred, the
186 Division of Finance shall transfer only those funds necessary to ensure that the balance in the
187 account equals 8% of total federal funds received by the state for the fiscal year in which the
188 General Fund revenue surplus occurred.

189 (iii) The Division of Finance shall calculate the amount to be transferred under this
190 Subsection (3)(a):

191 (A) after making the transfer of General Fund revenue surplus to the Medicaid Budget
192 Stabilization Restricted Account, as provided in Section ~~63J-1-318~~ 63J-1-315 ~~←63J-1-318~~ ;

193 (B) after making the transfer of General Fund revenue surplus to the General Fund
194 Budget Reserve Account, as provided in Section ~~63J-1-319~~ 63J-1-312 ~~←63J-1-319~~ ;

195 (C) before transferring revenue from the General Fund revenue surplus to the State
196 Disaster Recovery Restricted Account under Section ~~63J-1-321~~ 53-2a-603 ~~←63J-1-321~~ ;

197 (D) before earmarking revenue from the General Fund revenue surplus to the Industrial
198 Assistance Account under Section ~~63M-1-905~~ 63N-3-106 ~~←63M-1-905~~ ;

199 (E) before transferring from the General Fund revenue surplus any other year-end
200 contingency appropriations, year-end set-asides, or other year-end transfers required by law;
201 and

202 (F) excluding any direct legislative appropriation made to the Federal Funds Budget
203 Reserve Account for the fiscal year.

204 (b) For appropriations made by the Legislature to the Federal Funds Budget Reserve
205 Account, the Division of Finance shall treat those appropriations, unless otherwise specified in
206 the appropriation, as replacement funds for appropriations made from the account if funds were
207 appropriated from the Federal Funds Budget Reserve Account within the past 10 years and
208 have not yet been replaced.

209 (4) The Legislature may appropriate money from the Federal Funds Budget Reserve
210 Account only to replace federal funds that the state has been receiving but is no longer
211 receiving.

212 (5) Interest generated from investments of money in the Federal Funds Budget Reserve
213 Account shall be deposited into the General Fund.

214 (6) (a) The Office of the Legislative Fiscal Analyst shall notify the Executive

215 Appropriations Committee if:

216 (i) the federal government takes action that appears to reduce available federal funds to

217 Utah state agencies by 5% or more;

218 (ii) federal interest payments on national debt exceed 8% of gross domestic product; or

219 (iii) gross national debt exceeds 100% of national gross domestic product.

220 (b) If the Executive Appropriations Committee receives notice under Subsection (6)(a),

221 the committee shall determine whether to sponsor legislation to make adjustments to the

222 provisions of ~~§~~ [Section 63J-1-316] this section ~~←~~ in order to respond to an event described in

222a Subsection (6)(a).

223 Section 4. Section **63J-3-103** is amended to read:

224 **63J-3-103. Definitions.**

225 As used in this chapter:

226 (1) (a) "Appropriations" means actual unrestricted capital and operating appropriations

227 from unrestricted General Fund and Education Fund sources.

228 (b) "Appropriations" includes appropriations that are contingent upon available

229 surpluses in the General Fund and Education Fund.

230 (c) "Appropriations" does not mean:

231 (i) public education expenditures;

232 (ii) Utah Education and Telehealth Network expenditures in support of public

233 education;

234 (iii) Utah College of Applied Technology expenditures in support of public education;

235 (iv) State Tax Commission expenditures related to collection of income taxes in

236 support of public education;

237 (v) debt service expenditures;

238 (vi) emergency expenditures;

239 (vii) expenditures from all other fund or subfund sources;

240 (viii) transfers or appropriations from the Education Fund to the Uniform School Fund;

241 (ix) transfers into, or appropriations made to, the General Fund Budget Reserve

242 Account established in Section [63J-1-312](#);

243 (x) transfers into, or appropriations made to, the Education Budget Reserve Account

244 established in Section [63J-1-313](#);

- 245 (xi) transfers into, or appropriations made to, the Federal Funds Budget Reserve
246 Account established in Section 63J-1-316;
- 247 [~~(xi)~~] (xii) transfers in accordance with Section 63J-1-314 into, or appropriations made
248 to the State Disaster Recovery Restricted Account created in Section 53-2a-603;
- 249 [~~(xii)~~] (xiii) money appropriated to fund the total one-time project costs for the
250 construction of capital developments as defined in Section 63A-5-104;
- 251 [~~(xiii)~~] (xiv) transfers or deposits into or appropriations made to the Centennial
252 Highway Fund created by Section 72-2-118;
- 253 [~~(xiv)~~] (xv) transfers or deposits into or appropriations made to the Transportation
254 Investment Fund of 2005 created by Section 72-2-124;
- 255 [~~(xv)~~] (xvi) transfers or deposits into or appropriations made to:
256 (A) the Department of Transportation from any source; or
257 (B) any transportation-related account or fund from any source; or
- 258 [~~(xvi)~~] (xvii) supplemental appropriations from the General Fund to the Division of
259 Forestry, Fire, and State Lands to provide money for wildland fire control expenses incurred
260 during the current or previous fire years.
- 261 (2) "Base year real per capita appropriations" means the result obtained for the state by
262 dividing the fiscal year 1985 actual appropriations of the state less debt money by:
- 263 (a) the state's July 1, 1983 population; and
264 (b) the fiscal year 1983 inflation index divided by 100.
- 265 (3) "Calendar year" means the time period beginning on January 1 of any given year
266 and ending on December 31 of the same year.
- 267 (4) "Fiscal emergency" means an extraordinary occurrence requiring immediate
268 expenditures and includes the settlement under Laws of Utah 1988, Fourth Special Session,
269 Chapter 4.
- 270 (5) "Fiscal year" means the time period beginning on July 1 of any given year and
271 ending on June 30 of the subsequent year.
- 272 (6) "Fiscal year 1985 actual base year appropriations" means fiscal year 1985 actual
273 capital and operations appropriations from General Fund and non-Uniform School Fund
274 income tax revenue sources, less debt money.
- 275 (7) "Inflation index" means the change in the general price level of goods and services

276 as measured by the Gross National Product Implicit Price Deflator of the Bureau of Economic
277 Analysis, U.S. Department of Commerce calculated as provided in Section [63J-3-202](#).

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

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

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

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

288 (11) "Population" means the number of residents of the state as of July 1 of each year
289 as calculated by the Governor's Office of Management and Budget according to the procedures
290 and requirements of Section [63J-3-202](#).

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

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

298 Section 5. Section **63N-3-106** is amended to read:

299 **63N-3-106. Loans, grants, and assistance -- Repayment -- Earned credits.**

300 (1) (a) A company that qualifies under Section [63N-3-105](#) may receive loans, grants, or
301 other financial assistance from the Industrial Assistance Account for expenses related to
302 establishment, relocation, or development of industry in Utah.

303 (b) A company creating an economic impediment that qualifies under Section
304 [63N-3-108](#) may in accordance with this part receive loans, grants, or other financial assistance
305 from the restricted account for the expenses of the company creating an economic impediment
306 related to:

307 (i) relocation to a rural area in Utah of the company creating an economic impediment;

308 and

309 (ii) the siting of a replacement company.

310 (c) An entity offering an economic opportunity that qualifies under Section [63N-3-109](#)

311 may:

312 (i) receive loans, grants, or other financial assistance from the restricted account for
313 expenses related to the establishment, relocation, retention, or development of industry in the
314 state; and

315 (ii) include infrastructure or other economic development precursor activities that act
316 as a catalyst and stimulus for economic activity likely to lead to the maintenance or
317 enlargement of the state's tax base.

318 (2) (a) Subject to Subsection (2)(b), the administrator has authority to determine the
319 structure, amount, and nature of any loan, grant, or other financial assistance from the restricted
320 account.

321 (b) Loans made under Subsection (2)(a) shall be structured so the intended repayment
322 or return to the state, including cash or credit, equals at least the amount of the assistance
323 together with an annual interest charge as negotiated by the administrator.

324 (c) Payments resulting from grants awarded from the restricted account shall be made
325 only after the administrator has determined that the company has satisfied the conditions upon
326 which the payment or earned credit was based.

327 (3) (a) (i) Except as provided in Subsection (3)(b), the administrator may provide for a
328 system of earned credits that may be used to support grant payments or in lieu of cash
329 repayment of a restricted account loan obligation.

330 (ii) The value of the credits described in Subsection (3)(a)(i) shall be based on factors
331 determined by the administrator, including:

332 (A) the number of Utah jobs created;

333 (B) the increased economic activity in Utah; or

334 (C) other events and activities that occur as a result of the restricted account assistance.

335 (b) (i) The administrator shall provide for a system of credits to be used to support
336 grant payments or in lieu of cash repayment of a restricted account loan when loans are made to
337 a company creating an economic impediment.

338 (ii) The value of the credits described in Subsection (3)(b)(i) shall be based on factors
339 determined by the administrator, including:

340 (A) the number of Utah jobs created;

341 (B) the increased economic activity in Utah; or

342 (C) other events and activities that occur as a result of the restricted account assistance.

343 (4) (a) A cash loan repayment or other cash recovery from a company receiving
344 assistance under this section, including interest, shall be deposited into the restricted account.

345 (b) The administrator and the Division of Finance shall determine the manner of
346 recognizing and accounting for the earned credits used in lieu of loan repayments or to support
347 grant payments as provided in Subsection (3).

348 (5) (a) (i) At the end of each fiscal year, the Division of Finance shall set aside the
349 balance of the General Fund revenue surplus as defined in Section 63J-1-312 after the transfers
350 of General Fund revenue surplus described in Subsection (5)(b) to the Industrial Assistance
351 Account in an amount equal to any credit that has accrued under this part.

352 (ii) The set aside under Subsection (5)(a)(i) shall be capped at \$50,000,000, at which
353 time no subsequent contributions may be made and any interest accrued above the \$50,000,000
354 cap shall be deposited into the General Fund.

355 (b) The set aside required by Subsection (5)(a) shall be made after the transfer of
356 surplus General Fund revenue surplus is made:

357 (i) to the Medicaid Growth Reduction and Budget Stabilization Restricted Account, as
358 provided in Section 63J-1-315;

359 (ii) to the General Fund Budget Reserve Account, as provided in Section 63J-1-312;

360 [and]

361 (iii) to the Federal Funds Budget Reserve Account, as provided in Section 63J-1-316;

362 and

363 [~~(iii)~~] (iv) to the State Disaster Recovery Restricted Account, as provided in Section
364 63J-1-314.

365 (c) These credit amounts may not be used for purposes of the restricted account as
366 provided in this part until appropriated by the Legislature.

Legislative Review Note
Office of Legislative Research and General Counsel