

**Senator Deidre M. Henderson** proposes the following substitute bill:

**GOVERNMENTAL NONPROFIT CORPORATION ACT**

**AMENDMENTS**

2019 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Deidre M. Henderson**

House Sponsor: Craig Hall

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**LONG TITLE**

**General Description:**

This bill amends definitions and provides for certain training relating to governmental nonprofit corporations.

**Highlighted Provisions:**

This bill:

- ▶ requires the state auditor to:
  - develop a training or other informational resource regarding best practices for financial controls and board governance; and
  - distribute the training or other informational resource to certain state and local entities and governmental nonprofit corporations;
- ▶ requires each member of a board of trustees of a governmental nonprofit to take the training that the state auditor provides regarding best practices for financial controls and board governance;
- ▶ amends an informational requirement for the local government and limited purpose entity registry; and
- ▶ makes technical and conforming changes.

**Money Appropriated in this Bill:**



26 None

27 **Other Special Clauses:**

28 None

29 **Utah Code Sections Affected:**

30 AMENDS:

31 [67-1a-15](#), as enacted by Laws of Utah 2018, Chapter 256

32 ENACTS:

33 [11-13A-106](#), Utah Code Annotated 1953



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

36 Section 1. Section **11-13A-106** is enacted to read:

37 **11-13A-106. Training for board members.**

38 (1) (a) (i) Each member of a board of trustees of a governmental nonprofit shall, within  
39 six months after taking office, complete the training described in Subsection (2)(a).

40 (ii) If a board member fails to complete the training described in Subsection (2)(a)  
41 within the time period specified in Subsection (1)(a)(i), the board member is disqualified and  
42 may not act as a board member.

43 (b) For the purposes of Subsection (1)(a), a member of a board of trustees of a  
44 governmental nonprofit takes office each time the member is elected or appointed to a new  
45 term.

46 (2) The state auditor shall:

47 (a) develop a training or other informational resource to aid a governmental nonprofit  
48 corporation in implementing best practices for financial controls and board governance;

49 (b) provide the training or other informational resource described in Subsection (2)(a)  
50 to each of the following entities that provides any required budgeting, expenditure, or financial  
51 report to the state auditor:

52 (i) a governmental nonprofit corporation;

53 (ii) a state agency or political subdivision of the state that wholly controls or has a  
54 controlling interest in a governmental nonprofit corporation, as described in Section

55 [11-13a-102](#); and

56 (iii) any other entity that, in the opinion of the state auditor, could benefit from the

57 resource;

58 (c) ensure that the training described in Subsection (2)(a) complies with Title 63G,  
59 Chapter 22, State Training and Certification Requirements; and

60 (d) issue a certificate of completion to each board member that completes the training  
61 described in Subsection (2)(a).

62 Section 2. Section **67-1a-15** is amended to read:

63 **67-1a-15. Local government and limited purpose entity registry.**

64 (1) As used in this section:

65 (a) "Entity" means a limited purpose entity or a local government entity.

66 (b) (i) "Limited purpose entity" means a legal entity that:

67 (A) performs a single governmental function or limited governmental functions; and

68 (B) is not a state executive branch agency, a state legislative office, or within the  
69 judicial branch.

70 (ii) "Limited purpose entity" includes:

71 (A) area agencies, area agencies on aging, and area agencies on high risk adults, as  
72 those terms are defined in Section [62A-3-101](#);

73 (B) charter schools created under Title 53G, Chapter 5, Charter Schools;

74 (C) community reinvestment agencies, as that term is defined in Section [17C-1-102](#);

75 (D) conservation districts, as that term is defined in Section [17D-3-102](#);

76 (E) governmental nonprofit corporations, as that term is defined in Section [11-13a-102](#);

77 (F) housing authorities, as that term is defined in Section [35A-8-401](#);

78 (G) independent entities and independent state agencies, as those terms are defined in  
79 Section [63E-1-102](#);

80 (H) interlocal entities, as that term is defined in Section [11-13-103](#);

81 (I) local building authorities, as that term is defined in Section [17D-2-102](#);

82 (J) local districts, as that term is defined in Section [17B-1-102](#);

83 (K) local health departments, as that term is defined in Section [26A-1-102](#);

84 (L) local mental health authorities, as that term is defined in Section [62A-15-102](#);

85 (M) nonprofit corporations that receive an amount of money requiring an accounting  
86 report under Section [51-2a-201.5](#);

87 (N) school districts under Title 53G, Chapter 3, School District Creation and Change;

- 88 (O) special service districts, as that term is defined in Section 17D-1-102; and
- 89 (P) substance abuse authorities, as that term is defined in Section 62A-15-102.
- 90 (c) "Local government and limited purpose entity registry" or "registry" means the
- 91 registry of local government entities and limited purpose entities created under this section.
- 92 (d) "Local government entity" means:
- 93 (i) a county, as that term is defined in Section 17-50-101; and
- 94 (ii) a municipality, as that term is defined in Section 10-1-104.
- 95 (e) "Notice of failure to register" means the notice the lieutenant governor sends, in
- 96 accordance with Subsection (7)(a), to an entity that does not register.
- 97 (f) "Notice of failure to renew" means the notice the lieutenant governor sends to a
- 98 registered entity, in accordance with Subsection (7)(b).
- 99 (g) "Notice of noncompliance" means the notice the lieutenant governor sends to a
- 100 registered entity, in accordance with Subsection (6)(c).
- 101 (h) "Notice of non-registration" means the notice the lieutenant governor sends to an
- 102 entity and the state auditor, in accordance with Subsection (9).
- 103 (i) "Notice of registration or renewal" means the notice the lieutenant governor sends,
- 104 in accordance with Subsection (6)(b)(i).
- 105 (j) "Registered entity" means an entity with a valid registration as described in
- 106 Subsection (8).
- 107 (2) The lieutenant governor shall:
- 108 (a) create a registry of each local government entity and limited purpose entity within
- 109 the state that:
- 110 (i) contains the information described in Subsection (4); and
- 111 (ii) is accessible on the lieutenant governor's website or otherwise publicly available;
- 112 and
- 113 (b) establish fees for registration and renewal, in accordance with Section 63J-1-504,
- 114 based on and to directly offset the cost of creating, administering, and maintaining the registry.
- 115 (3) Each local government entity and limited purpose entity shall:
- 116 (a) on or before July 1, 2019, register with the lieutenant governor as described in
- 117 Subsection (4);
- 118 (b) on or before one year after the day on which the lieutenant governor issues the

119 notice of registration or renewal, annually renew the entity's registration in accordance with  
120 Subsection (5); and

121 (c) within 30 days after the day on which any of the information described in  
122 Subsection (4) changes, send notice of the changes to the lieutenant governor.

123 (4) Each entity shall include the following information in the entity's registration  
124 submission:

125 (a) the resolution or other legal or formal document creating the entity or, if the  
126 resolution or other legal or formal document creating the entity cannot be located, conclusive  
127 proof of the entity's lawful creation;

128 (b) if the entity has geographic boundaries, a map or plat establishing the geographic  
129 boundaries of the entity, or if it is impossible or unreasonably expensive to create a map or plat,  
130 a metes and bounds description, or another legal description that identifies the boundaries of  
131 the entity, [~~conclusive~~] reasonable proof of the entity's geographic boundaries;

132 (c) the entity's name;

133 (d) the entity's type of local government entity or limited purpose entity;

134 (e) the entity's governmental function;

135 (f) the entity's website, physical address, and phone number, including the name and  
136 contact information of an individual whom the entity designates as the primary contact for the  
137 entity;

138 (g) names of the members of the entity's governing board or commission, managing  
139 officers, or other similar managers and the method by which the members or officers are  
140 appointed, elected, or otherwise designated;

141 (h) the entity's sources of revenue; and

142 (i) if the entity has created an assessment area, as that term is defined in Section  
143 [11-42-102](#), information regarding the creation, purpose, and boundaries of the assessment area.

144 (5) Each entity shall include the following information in the entity's renewal  
145 submission:

146 (a) identify and update any incorrect or outdated information the entity previously  
147 submitted during registration under Subsection (4); or

148 (b) certify that the information the entity previously submitted during registration under  
149 Subsection (4) is correct without change.

150 (6) Within 30 days of receiving an entity's registration or renewal submission, the  
151 lieutenant governor shall:

152 (a) review the submission to determine compliance with Subsection (4) or (5);

153 (b) if the lieutenant governor determines that the entity's submission complies with  
154 Subsection (4) or (5):

155 (i) send a notice of registration or renewal that includes the information that the entity  
156 submitted under Subsection (4) or (5) to:

157 (A) the registering or renewing entity;

158 (B) each county in which the entity operates, either in whole or in part, or where the  
159 entity's geographic boundaries overlap or are contained within the boundaries of the county;

160 (C) the Division of Archives and Records Service; and

161 (D) the Office of the Utah State Auditor; and

162 (ii) publish the information from the submission on the registry; and

163 (c) if the lieutenant governor determines that the entity's submission does not comply  
164 with Subsection (4) or (5) or is otherwise inaccurate or deficient, send a notice of  
165 noncompliance to the registering or renewing entity that:

166 (i) identifies each deficiency in the entity's submission with the corresponding statutory  
167 requirement;

168 (ii) establishes a deadline to cure the entity's noncompliance that is the first business  
169 day that is at least 30 calendar days after the day on which the lieutenant governor sends the  
170 notice of noncompliance; and

171 (iii) states that failure to comply by the deadline the lieutenant governor establishes  
172 under Subsection (6)(c)(ii) will result in the lieutenant governor sending a notice of  
173 non-registration to the Office of the Utah State Auditor, in accordance with Subsection (9).

174 (7) (a) If the lieutenant governor identifies an entity that does not make a registration  
175 submission in accordance with Subsection (4) by the deadline described in Subsection (3), the  
176 lieutenant governor shall send a notice of failure to register to the registered entity that:

177 (i) identifies the statutorily required registration deadline described in Subsection (3)  
178 that the entity did not meet;

179 (ii) establishes a deadline to cure the entity's failure to register that is the first business  
180 day that is at least 10 calendar days after the day on which the lieutenant governor sends the

181 notice of failure to register; and

182 (iii) states that failure to comply by the deadline the lieutenant governor establishes  
183 under Subsection (7)(a)(ii) will result in the lieutenant governor sending a notice of  
184 non-registration to the Office of the Utah State Auditor, in accordance with Subsection (9).

185 (b) If a registered entity does not make a renewal submission in accordance with  
186 Subsection (5) by the deadline described in Subsection (3), the lieutenant governor shall send a  
187 notice of failure to renew to the registered entity that:

188 (i) identifies the renewal deadline described in Subsection (3) that the entity did not  
189 meet;

190 (ii) establishes a deadline to cure the entity's failure to renew that is the first business  
191 day that is at least 30 calendar days after the day on which the lieutenant governor sends the  
192 notice of failure to renew; and

193 (iii) states that failure to comply by the deadline the lieutenant governor establishes  
194 under Subsection (7)(b)(ii) will result in the lieutenant governor sending a notice of  
195 non-registration to the Office of the Utah State Auditor, in accordance with Subsection (9).

196 (8) An entity's registration is valid:

197 (a) if the entity makes a registration or renewal submission in accordance with the  
198 deadlines described in Subsection (3);

199 (b) during the period the lieutenant governor establishes in the notice of  
200 noncompliance or notice of failure to renew during which the entity may cure the identified  
201 registration deficiencies; and

202 (c) for one year beginning on the day the lieutenant governor issues the notice of  
203 registration or renewal.

204 (9) (a) The lieutenant governor shall send a notice of non-registration to the Office of  
205 the Utah State Auditor if an entity fails to:

206 (i) cure the entity's noncompliance by the deadline the lieutenant governor establishes  
207 in the notice of noncompliance;

208 (ii) register by the deadline the lieutenant governor establishes in the notice of failure  
209 to register; or

210 (iii) cure the entity's failure to renew by the deadline the lieutenant governor establishes  
211 in the notice of failure to renew.

212 (b) The lieutenant governor shall ensure that the notice of non-registration:  
213 (i) includes a copy of the notice of noncompliance, the notice of failure to register, or  
214 the notice of failure to renew; and  
215 (ii) requests that the state auditor withhold state allocated funds or the disbursement of  
216 property taxes and prohibit the entity from accessing money held by the state or money held in  
217 an account of a financial institution, in accordance with Subsections [67-3-1\(7\)\(i\)](#) and  
218 [67-3-1\(10\)](#).  
219 (10) The lieutenant governor may extend a deadline under this section if an entity  
220 notifies the lieutenant governor, before the deadline to be extended, of the existence of an  
221 extenuating circumstance that is outside the control of the entity.