

LOCAL ACCUMULATED FUND BALANCE AMENDMENTS

2021 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Mike Winder

Senate Sponsor: Wayne A. Harper

LONG TITLE

General Description:

This bill amends provisions related to local accumulated fund balances.

Highlighted Provisions:

This bill:

► increases the maximum accumulated fund balance allowed in a political subdivision's general fund.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

10-5-113, as last amended by Laws of Utah 2014, Chapter 176

10-6-116, as last amended by Laws of Utah 2014, Chapter 176

11-13-512, as enacted by Laws of Utah 2015, Chapter 265

17-36-16, as last amended by Laws of Utah 2014, Chapter 176

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

Section 1. Section **10-5-113** is amended to read:

10-5-113. Accumulation of retained earnings or fund balance -- Limit as to



28 **general fund -- Reserve for capital improvements.**

29 (1) A town may accumulate retained earnings or fund balances, as appropriate, in any
30 fund.

31 (2) The accumulation of a fund balance in the town general fund may not exceed
32 ~~[75%]~~ 100% of the total revenue of the town general fund for the current fiscal period.

33 (3) (a) The town council may, in a budget year, appropriate from estimated revenue or
34 excess fund balance in the town general fund to a reserve for capital improvements:

- 35 (i) for the purpose of financing future specified capital improvements; and
- 36 (ii) in accordance with a formal long-range capital plan adopted by the governing body.

37 (b) The reserves described in Subsection (3)(a) may accumulate from year to year in a
38 capital improvements fund until the accumulated total is sufficient to permit economical
39 expenditure for the specified purposes.

40 Section 2. Section **10-6-116** is amended to read:

41 **10-6-116. Accumulated fund balances -- Limitations -- Excess balances --**
42 **Unanticipated excess of revenues -- Reserves for capital improvements.**

43 (1) (a) A city may accumulate retained earnings or fund balances, as appropriate, in any
44 fund. With respect to the city general fund only, any accumulated fund balance is restricted to
45 the following purposes:

- 46 (i) to provide working capital to finance expenditures from the beginning of the budget
47 period until general property taxes, sales taxes, or other applicable revenues are collected,
48 thereby reducing the amount the city must borrow during the period;
- 49 (ii) to provide a resource to meet emergency expenditures under Section [10-6-129](#); and
- 50 (iii) to cover a pending year-end excess of expenditures over revenues from an
51 unavoidable shortfall in revenues.

52 (b) Notwithstanding Subsection (1)(a)(i), a city may not appropriate a fund balance for
53 budgeting purposes except as provided in Subsection (4).

54 (c) Notwithstanding Subsection (1)(a)(iii), a city may not appropriate a fund balance to
55 avoid an operating deficit during any budget period except as provided under Subsection (4), or
56 for emergency purposes under Section [10-6-129](#).

57 (2) The accumulation of a fund balance in the city general fund may not exceed ~~[25%]~~
58 35% of the total revenue of the city general fund for the current fiscal period.

59 (3) If the fund balance at the close of any fiscal period exceeds the amount permitted
60 under Subsection (2), the excess shall be appropriated in the manner provided in Section
61 [10-6-117](#).

62 (4) Any fund balance in excess of 5% of the total revenues of the city general fund may
63 be utilized for budget purposes.

64 (5) (a) Within a capital improvements fund, the governing body may, in any budget
65 period, appropriate from estimated revenue or fund balance to a reserve for capital
66 improvements for the purpose of financing future specific capital improvements, under a
67 formal long-range capital plan adopted by the governing body.

68 (b) The reserves described in Subsection (5)(a) may accumulate from fiscal period to
69 fiscal period until the accumulated total is sufficient to permit economical expenditure for the
70 specified purposes.

71 (c) Disbursements from reserves described in Subsection (5)(a) shall be made only by
72 transfer to a revenue or transfer account within the capital improvements fund, under a budget
73 appropriation in a budget for the fund adopted in the manner provided by this chapter.

74 (d) Expenditures from the above appropriation budget accounts shall conform to all
75 requirements of this chapter relating to execution and control of budgets.

76 Section 3. Section **11-13-512** is amended to read:

77 **11-13-512. Accumulated fund balances -- Limitations -- Excess balances --**
78 **Unanticipated excess of revenues -- Reserves for capital projects.**

79 (1) (a) An interlocal entity may accumulate retained earnings or fund balances, as
80 appropriate, in any fund.

81 (b) For the interlocal entity general fund only, an accumulated fund balance at the end
82 of a budget year may be used only:

83 (i) to provide working capital to finance expenditures from the beginning of the budget
84 year until general property taxes or other applicable revenues are collected, subject to
85 Subsection (1)(c);

86 (ii) to provide a resource to meet emergency expenditures under Section [11-13-521](#); or

87 (iii) to cover a pending year-end excess of expenditures over revenues from an
88 unavoidable shortfall in revenues, subject to Subsection (1)(d).

89 (c) Subsection (1)(b)(i) may not be construed to authorize an interlocal entity to

90 appropriate a fund balance for budgeting purposes, except as provided in Subsection (4).

91 (d) Subsection (1)(b)(iii) may not be construed to authorize an interlocal entity to
92 appropriate a fund balance to avoid an operating deficit during a budget year except:

93 (i) as provided under Subsection (4); or

94 (ii) for emergency purposes under Section 11-13-521.

95 (2) The accumulation of a fund balance in the interlocal entity general fund may not
96 exceed the greater of:

97 (a) 100% of the current year's property tax collected by the interlocal entity; or

98 (b) (i) ~~25%~~ 35% of the total interlocal entity general fund revenues for an interlocal
99 entity with an annual interlocal entity general fund budget greater than \$100,000; or

100 (ii) ~~50%~~ 65% of the total interlocal entity general fund revenues for an interlocal
101 entity with an annual interlocal entity general fund budget equal to or less than \$100,000.

102 (3) If the interlocal entity general fund balance at the close of a fiscal year exceeds the
103 amount permitted under Subsection (2), the interlocal entity shall appropriate the excess in the
104 manner provided in Section 11-13-513.

105 (4) Any interlocal entity general fund balance in excess of 5% of the total revenues of
106 the interlocal entity general fund may be utilized for budget purposes.

107 (5) (a) Within a capital projects fund the governing board may, in a budget year,
108 appropriate from estimated revenue or a fund balance to a reserve account for capital projects
109 for the purpose of financing future specific capital projects, including new construction, capital
110 repairs, replacement, and maintenance, under a formal long-range capital plan adopted by the
111 governing board.

112 (b) An interlocal entity may allow a reserve amount under Subsection (5)(a) to
113 accumulate from year to year until the accumulated total is sufficient to permit economical
114 expenditure for the specified purposes.

115 (c) An interlocal entity may disburse from a reserve account under Subsection (5)(a)
116 only by a budget appropriation adopted in the manner provided by this part.

117 (d) Expenditures from a reserve account described in Subsection (5)(a) shall conform
118 to all requirements of this part relating to execution and control of budgets.

119 Section 4. Section 17-36-16 is amended to read:

120 **17-36-16. Retained earnings -- Accumulation -- Restrictions -- Disbursements.**

121 (1) (a) A county may accumulate retained earnings in any enterprise or internal service
122 fund or a fund balance in any other fund.

123 (b) Notwithstanding Subsection (1)(a), use of the county general fund shall be
124 restricted to the following purposes:

125 (i) to provide cash to finance expenditures from the beginning of the budget period
126 until general property taxes, sales taxes, or other revenues are collected;

127 (ii) to provide a fund or reserve to meet emergency expenditures; and

128 (iii) to cover unanticipated deficits for future years.

129 (2) (a) The maximum accumulated unappropriated surplus in the county general fund,
130 as determined prior to adoption of the tentative budget, may not exceed an amount equal to the
131 greater of:

132 (i) (A) for a county with a taxable value of \$750,000,000 or more and a population of
133 100,000 or more, [~~20%~~] 25% of the total revenues of the county general fund for the current
134 fiscal period; or

135 (B) for any other county, [~~50%~~] 65% of the total revenues of the county general fund
136 for the current fiscal period; and

137 (ii) the estimated total revenues from property taxes for the current fiscal period.

138 (b) Any surplus balance in excess of the above computed maximum shall be included
139 in the estimated revenues of the county general fund budget for the next fiscal period.

140 (3) Any fund balance exceeding 5% of the total county general fund revenues may be
141 used for budgetary purposes.

142 (4) (a) A county may appropriate funds from estimated revenue in any budget period to
143 a reserve for capital improvements within any capital improvements fund which has been duly
144 established by ordinance or resolution.

145 (b) Money in the reserves shall be allowed to accumulate from fiscal period to fiscal
146 period until the accumulated total is sufficient to permit economical expenditure for the
147 specified purposes.

148 (c) Disbursements from the reserves shall be made only by transfer to a revenue
149 account within a capital improvements fund pursuant to an appropriation for the fund.

150 (d) Expenditures from the capital improvement budget accounts shall conform to all
151 requirements of this act as it relates to the execution and control of budgets.