

*Bills,
Budgets &
Fiscal Notes*



Utah Legislative Fiscal Analyst

Table of Contents

<i>Introduction</i>	3
<i>How a Bill Becomes Law</i>	5
<i>Bill Types</i>	8
<i>Key Players</i>	9
<i>The Legislative Fiscal Analyst</i>	9
<i>The Legislature Sets the State Budget</i>	9
<i>Consensus Revenue Estimates</i>	10
<i>All Legislators Sit on Budget Subcommittees</i>	11
<i>Budget Bills</i>	12
<i>Introduction to Fiscal Notes</i>	13
<i>Pre-Session Budget Calendar</i>	17
<i>Session Calendar</i>	18-19
<i>The Fiscal Note Process</i>	21
<i>How to Respond to a Fiscal Note Worksheet</i>	23
<i>Fiscal Note Worksheet Tips</i>	26
<i>Glossary</i>	28
<i>Analyst Contact Information</i>	36
<i>Analyst by Assignment</i>	37



Introduction

The Utah Constitution specifies a political process that is complex and measured. This gives citizens and lawmakers time to examine and comment on proposed laws.

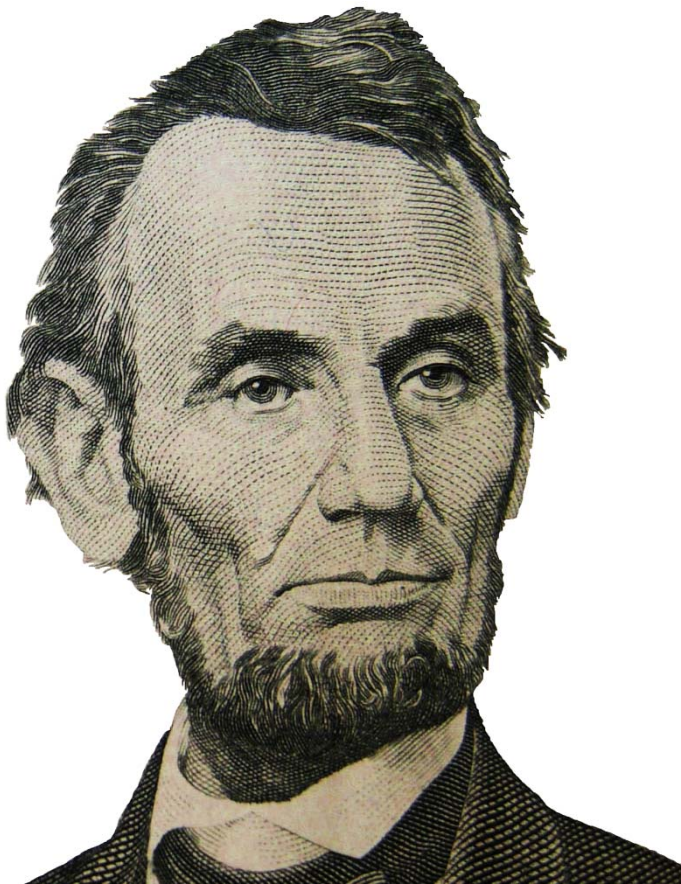
We hope this booklet will help you find your way through the process, the players, and the vocabulary.

This guide includes:

- How a bill becomes law
- Session rules and deadlines
- Budgets
- Fiscal Notes
- Glossary of terms
- Fiscal analysts by assignment

Utah Legislature's Website

The Utah Legislature has an award winning website. You can access the bills, committee meeting times and locations, fiscal notes and much, much more. See <http://le.utah.gov/>.



How a Bill Becomes Law

“There ought to be a Law”

A citizen advocate, special interest group, or government agency tells a legislator about a problem and the Legislator decides, “There ought to be a law.”

(This example follows a bill that starts in the House of Representatives)

Attorneys Draft a Bill

The legislator asks Legislative Research and General Counsel (LRGC) to draft legislation. An Attorney:

- Reviews existing law
- Researches issues
- Drafts legislation
- Checks for statutory and constitutional problems

Bill Approved & Published

The attorney gives the bill to the legislator for review and approval. LRGC numbers approved bills. The legislator may then introduce the bill. LRGC sends copies to:

- Senate or House Docket Clerk
- Bill room (for printing)
- Internet
- Fiscal Analyst (for a fiscal note)

First Reading & Rules Committee

The Speaker has the bill introduced with the first reading, and the bill goes to Rules Committee. The committee recommends to the Speaker which standing committee should hear the bill or it may recommend that the bill go directly to the floor.

Standing Committee & Public Hearing

The standing committee reviews the bill in a public meeting. Here the committee hears from the public, lobbyists, and state agencies. The committee finds and corrects flaws before it takes action. The committee may:

- Amend;
- Hold;
- Table;
- Substitute; or
- Recommend the bill.

The Second Reading

The House hears the committee report and adopts it by motion. This is the Second Reading of three constitutionally required readings. The House puts the bill on the calendar for the Third Reading.

The Third Reading & Floor Debate

The clerk reads the bill by title a third time. The legislative sponsor explains the bill, and answers questions. The House debates and may amend or substitute the bill.

Vote on the Bill

A “previous question” motion closes debate. The Legislature requires a simple majority (38 of 75) votes.

Send the Bill to the Senate

If the bill passes, the House sends the bill to the Senate and requests Senate action.

Senate First Reading & Rules Committee

The clerk reads the bill’s title for the first reading. The Rules Committee recommends to the Senate President which standing committee should hear the bill.

Standing Committee Hearing

The standing committee reviews the bill in a public meeting. Here the committee hears from the public, lobbyists, and state agencies. The committee finds and corrects flaws before it takes action. The committee may:

- Amend;
- Hold;
- Table;
- Substitute; or
- Recommend the bill.

Bill Returned to Full Senate

The Senate hears the committee report and places the bill on the Second Reading Calendar.

Senate Second Reading & Debate

The clerk reads the bill's title a second time (Second Reading) and the Senate debates the bill. It must pass a floor vote to advance to third reading.

Senate Third Reading, Debate, & Final Vote

The clerk reads the bill's title a third time (Third Reading) and the Senate debates the bill again. The bill needs a simple majority to pass (15 of 29 senators).

Bill Signed & Enrolled

After the bill has passed both houses, the President and Speaker sign it. Legislative Research and General Counsel staff check the bill in a process called enrolling. They prepare the bill in final form with all amendments included and return it to the House. This enrolled bill is an exact, accurate, and official copy of the enacted bill.

Bill Sent to Governor

The Legislature prints the enrolled bill and sends a copy to the governor for approval. The governor can

Sign;

Veto (or line-item veto for appropriations bills); or;

Allow it to become law without his signature.

The Bill Becomes Law

Bills become effective 60 days following session, unless the bill specifies another date.

Bill Types

Resolution (House OR Senate)

These only pertain to the house of origin. A bill establishing a committee or changing a rule is an example.

Joint Resolution (House AND Senate)

Both the House and Senate must pass a joint resolution. The Legislature uses them for matters involving both houses such as appointing joint committees or issuing joint communiqués. Proposals to amend the Utah Constitution are contained in joint resolutions.

Concurrent Resolution (House, Senate, & Governor)

These show the state's position on a specific matter. The resolutions must be passed by both houses and then signed by the Governor.

House Bill or Senate Bill

Representatives sponsor House bills and senators sponsor Senate bills. These are the standard and most common type of bills.

The Key Players

The Speaker of the House and the President of the Senate are the presiding officers and the most powerful members of their respective chambers. They appoint committee members, designate committee chairs, and control the flow of legislative business.

The political party with the most votes in the House or Senate is the majority party in that chamber. The Majority Leader is second in command and manages the flow of bills.

The Minority Leader is the leader of the minority party in that chamber.

The Majority and Minority Whips help assess how their members will vote.

The Legislative Fiscal Analyst (LFA)

The Office of the Legislative Fiscal Analyst is created in Utah Code, Section 36-12-13. The staff analysts are called fiscal analysts but the Director is the Legislative Fiscal Analyst.

The Legislature is the law making and budget setting branch of state government. The LFA staffs everything to do with state budgets and puts a price tag, called a fiscal note, on all the bills that come before the Legislature.

The Office has about 18 members: analysts, economists, and support staff.

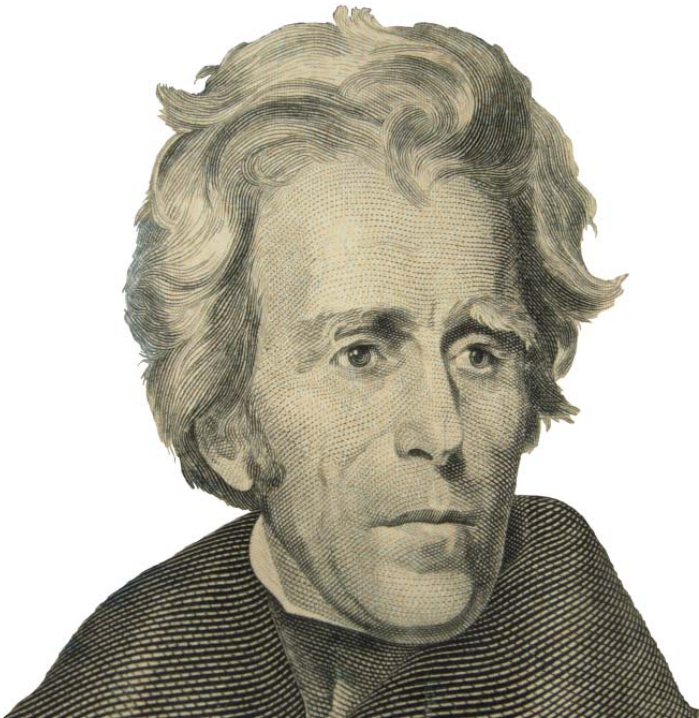
The Legislature Sets the State Budget

The budget is the Legislature's plan for spending the State's limited resources. The budget funds all state agencies—including prisons, schools, higher education, new bills, new buildings, debt service, and highways. Finding the right balance is the Legislature's challenge.

Consensus Revenue Estimates

The Constitution requires a balanced state budget. The first step is to decide how much money is in the budget. To reduce disagreements, the LFA, the Governor, and the Tax Commission estimate income using their own methods. Then they meet together and agree on a single revenue estimate. All parties balance budgets to that amount.

General, Education, and Uniform School Funds typically called “state funds” get most of the attention.



All Legislators Sit on Budget Committees

Utah's unique appropriation process involves every legislator. Each member sits on the Joint Appropriation Committee and is assigned to at least one of eight Joint Appropriations Subcommittees. The subcommittees are:

- Business, Economic Development and Labor
- Executive Offices and Criminal Justice
- Higher Education
- Infrastructure and General Government
- Natural Resources, Agriculture, and Environmental Quality
- Public Education
- Retirement & Independent Entities
 - (This is both a standing and a budget committee. It doesn't usually meet on the same schedule as appropriations subcommittees.)
- Social Services

The Executive Appropriations Committee (EAC) coordinates subcommittee activities and facilitates a state-wide budget. Some state agencies (National Guard, Veterans, Capital Preservation Board, and the Legislature) report directly to the EAC.

Budget Subcommittee Meetings

The Legislature sets state budgets by passing spending bills. Legislators hold a series of meetings before they write the budget. In these meetings they:

- Hear from staff analysts
- Hear from program managers
- Take public testimony
- Measure program performance
- Debate and vote on budgets

Usually after caucus discussions, EAC meets to make final decisions. It then directs the Analyst to write the bills, which show the Legislature's priorities set in dollars.

Budget Bills

The budget is not in just one bill, but many:

The *Base Budget* bill funds state agencies in the coming year with the same budget as the current fiscal year but with one-time funding removed. The Legislature passes the bill early in the session.

The *New Fiscal Year Supplemental*, sometimes called the "Big Bill," adds to and takes away from the Base Budget. It has all rates and fees.

Current Fiscal Year Supplemental adds to and takes away from the budget year currently underway.

Minimum School Program Amendments is public education's "Big Bill." It changes the value of the Weighted Pupil Unit and funds other public education programs.

The *Compensation Bill* has all budget changes related to personnel costs. This includes salary adjustments, and insurance rate changes. It does not include school districts.

The *General Obligation Bond Bill* authorizes general obligation bonds and projects.

The *Revenue Bond Bill* authorizes (by project) state and higher education lease and revenue bonds.

Appropriations Adjustments is known as the "Bill of Bills" because it funds each bill passed with a fiscal note. It is the last spending bill passed and contains last minute changes to the current and coming year.

Introduction to Fiscal Notes

“If we pass this bill, how much will it cost?”

Fiscal notes answer this question for state governments, local governments, businesses, and individuals.

The Analyst does notes for all bills and substitute bills and checks each amendment for fiscal impact.

The Analyst uses information from agencies, legislators, other organizations, and individuals to calculate impacts.

Legislators need to know the cost of each bill so that they can balance the budget. The fiscal note process finds budget and other problems before a bill becomes law.

By legislative rule, this is a three-day process.



What Do Fiscal Notes Look Like?

Fiscal notes are usually one-page documents with four sections.

<p>FISCAL NOTE H.B. 482s1 2011 General Session</p> <p>SHORT TITLE: Alcoholic Beverage Amendments</p> <p>SPONSOR: Rep. Joyce Webster</p>																																															
<p>STATE GOVERNMENT (UCA 36-12-13(2)(b))</p> <p>[TEXT]</p>																																															
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<p>DIRECT EXPENDITURES BY UTAH RESIDENTS & BUSINESSES (UCA 36-12-13(2)(d))</p> <p>[TEXT]</p>																																															
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Section 1: Identification:

This identifies the bill by number, session, and sponsor. At the very bottom of the note is the date and time the note was written, the lead analyst for the note, and the bill drafting attorney's initials.

Section 2: State government Impacts - Text

This text explains the fiscal impact on state government. What the note contains will depend on what the bill requires. Typical details are:

- How much the bill will cost
- How much revenue the bill will generate
- What the funds will buy
- Which agency gets the money and is responsible for implementing the bill
- Funding by year and long-term impacts
- Specific funding sources
- Ongoing and one-time funding; and
- Impacts on employees, office space, vehicles, and equipment

Section 2: State government Impacts - Tables

This table shows the fiscal impacts discussed in the first section. It has:

- Impacts for the current year and two years into the future
- Fund names and amounts
- Whether funding is one-time or ongoing
- Net fiscal impact for all funds
- Net fiscal impact for General and Education Funds

Section 3: Local Government Impacts

This text section explains the direct “out-of-pocket” fiscal impacts on local governments.

Section 4: Utah Residents & Businesses

This text section explains the direct “out-of-pocket” fiscal impacts on businesses and individuals.

Fiscal Note Types

Basic Fiscal Note

The Analyst does regular fiscal notes for every bill, substitute bill, and resolution.

Amended Fiscal Note

The Analyst prepares a new fiscal note if an amendment changes the bill’s fiscal impact. The new note is an Amended Fiscal Note.

Revised Fiscal Note

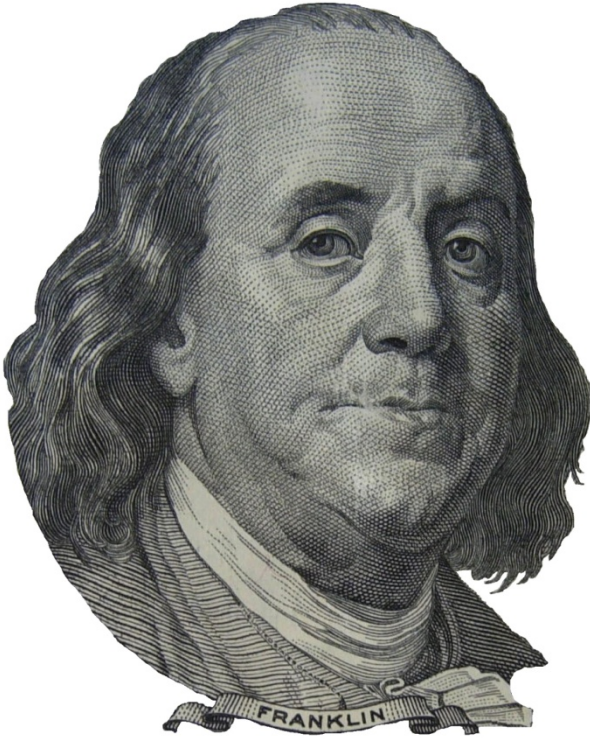
Sometimes the Analyst gets new information that requires a change in a published note. The new note is a Revised Fiscal Note.

The Analyst “Owns” the Note

The Legislature expects independent, unbiased fiscal notes. The Analyst gets pressure from all sides to modify fiscal notes. But accuracy is the Analyst’s first concern. The Analyst is open minded to any reliable source of information. Nevertheless, the Analyst is responsible for the fiscal note and is the final author.

If you disagree with the fiscal note, talk to the Lead Analyst for the note and provide documentation that shows what would be more accurate.

<i>Pre-Session Budget Calendar</i>	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Analyst prepares studies and staffs EAC meetings.												
EAC meets (NCSL may be in Aug.)		•	•	NCSL	•	•	•	•	•			
Analyst monitors agencies.												
Analyst checks agency compliance with Legislative intent.												
Analyst monitors revenues and expenditures.												
Analyst prepares studies & staffs subcommittee meetings.												
Eight appropriations subcommittees meet twice each.		•	•	•	•	•	•	•				
GOPB issues budget forms and instructions.			•									
State agencies prepare budget request.												
GOPB prepares requests summary for Governor.												
GOPB sends copy of agencies requests to Analyst.												
Analyst prepares budget recommendations for Legislature.												
Governor holds agency budget hearings.												
GOPB prepares and issues Governor's budget.									•			
Analyst prepares base budget bill and revenue estimates.												
EAC sets preliminary revenue estimates, budget, committee and special allocations and the base budget bill.									•			
Session begins on 4th Monday in January.												45 Days



The Fiscal Note Process

Bill Sent to Analyst

Once a legislator approves a bill, Legislative Research & General Counsel gives it an official number. Software then selects the lead analyst, associate analysts, and appropriate agencies and sends the bills and, when appropriate, a comparison document to the each. The Legislature allows 72 hours to finish fiscal notes.

Sent Out For Comment

The state agencies, local governments, and private organizations have about one day to respond.

Fiscal Note Written

The analyst studies the bill, information from state agencies and others, and writes the fiscal note.

First Level Review & Approval

The Fiscal Note Coordinator checks the note for completeness, correctness, and clarity. The Coordinator can:

- Approve the note as written;
- Edit the note;
- Send it back for more work.

Final Review & Approval

The Director has the same options as the Coordinator but his approval is final.

Ready Letter

The Analyst sends the fiscal note to the sponsor for review. This marks the end of the 72 hours allowed. The sponsor has 24 hours to question the note. If the sponsor thinks that the note is in error then the sponsor may provide documentation. Showing what would be more accurate. The sponsor may place a hold on the note.

Printed and Made Public

After 24 hours, unless challenged by the sponsor, the bill and fiscal note are printed. LRGC adds the fiscal note to the Legislature's daily report and posts it on the Internet.

Substitute Bills

Substitute bills get fiscal notes just like original bills. The process is the same.

Amendments

Secretaries refer amendments for a given bill to the assigned Lead Analyst. The analyst decides if the amendment will change the fiscal impact. The analyst will treat amendments with a fiscal impact like an original bill.

Protected bills

If a bill is not public and does not have a number, it can be a "protected" document. The sponsor can ask for a fiscal note. The Analyst may send protected bills to state agencies only and state agencies must keep them confidential.



How to Respond to a Fiscal Note Worksheet

The key elements of fiscal note preparation:

- Accuracy
- Timeliness
- Completeness
- Neutrality
- Documentation

Your #1 Priority is Accuracy

Fiscal notes only work if they are accurate. If responses cannot be trusted, responders will lose credibility with the Analyst and the Legislature.

72 Hour Limit

The Legislature allows 72 hours to complete a fiscal note. That works out to one day for the agency, one day for the analyst, and one day for approvals. During the last 10 days of the Legislative Session and Special Sessions, there is not even that much time.



Agency Fiscal Note Organization

Each agency should have a single contact person for fiscal notes. This coordinator can forward fiscal note requests to the right person and follow-up on late responses. Each agency designs its own approval process.

Read the Bill

Read the whole bill so that you will understand the context of the proposed changes. The bill shows deleted, changed, or added sections of the Utah Code (chapter, section, and paragraph). Any change to existing law may have a fiscal impact.

How to Read the Bill

As you read the bill, pay special attention to changes in the text. New text is underlined and in bold: “establishes a **one-time** appropriation of \$250,000”. Bracketed and lined through words indicates deleted text: “Has [~~not~~] been”.

Calculate Impacts Caused by Changes

Calculate impacts caused by the changes in the bill, not the entire bill. The parts that are not changed are already law.

Contacting People Outside Your Agency

Agencies may not share protected bills with anyone outside their agency and only people necessary within the agency. For unprotected bills, if you need to contact other state agencies, associations, or advocacy groups you may forward the bill and a copy of the Fiscal Note Worksheet. Remember the tight deadlines, and tell them how long they have to respond.

Fill Out the Fiscal Note Worksheet

The Worksheet has two main sections. You may use the short form if there is no fiscal impact to anyone. If there is an impact, fill out the second section. Show your assumptions and calculations. Attachments are welcome. We are moving towards an electronic system so use the electronic form.

Return the Fiscal Note Worksheet on Time

Fill out every section, especially your name and contact information. Include your cell phone number.



Fiscal Note Worksheet Tips

Individual Bias

Ask yourself how you feel about the bill. If you care one way or the other, proceed cautiously.

It Isn't Just About You

or your agency. We ask agencies, as experts to help us understand the impacts to:

- State Agencies
- Other agencies
- Local governments
- Businesses
- Individuals

Working the \$10,000 Rule

Bills with fiscal notes of \$10,000 or more can pass the original house. The Rules committee of the next house holds the bill until the Legislature decides which bills it can afford. Do not estimate impacts high to kill a bill. Do not estimate low to help a bill pass. The Analyst will take a hard look at impacts estimated near \$10,000.

Estimating Impacts on Imaginary Bills

You may think that the sponsor or attorney made a mistake drafting the bill. Estimate the fiscal impact based on the bill exactly as written. Do not assume that someone will correct the bill and base your estimate on the corrected bill. You may want to contact the sponsor. If the bill is corrected later you will get another chance.

Separate One-time and Ongoing Costs

Remember to separate and label one-time and ongoing costs and funding.

Delayed Implementation

Legislators sometimes sponsor bills with a delayed implementation date. This lowers first year costs. Be sure to include full costs in the second year. If the bill's implementation date is beyond the second year, include a full year's costs in your response.

Missing Hidden Costs

Do not forget to include start-up costs. Bills that require additional employees may also require additional management. Check for costs associated with office space, additional vehicles, furniture, and computers.

Identify All Revenue Sources

Some bills have a revenue source. Revenue collection can generate costs. Include all the revenues and all the costs.

Use Reliable Sources

Document your sources and make sure they are reliable and current.

Writing What They Tell You

Some bills include an appropriation that says how much it will cost to implement the bill. Your response does not have to agree with the bill.

If you calculate that the bill will cost more or less, you should say so in your response.

Glossary

Appropriation

This is a legislative act that authorizes spending a specific amount for a specific purpose. A negative appropriation reduces authorized spending.

Bonding

General Obligation (G.O.) Bonds provide the state's full faith and credit as collateral. Utah laws restrict bonding levels. The market restricts expenditure options. G.O. debt is the state's least expensive long-term debt tool. Usually, the state issues bonds for six-year terms for buildings and fifteen-year terms for roads.

Lease Revenue Bonds--The state issues revenue bonds to finance state facilities. Usually, these are twenty-year term bonds. Agency rents finance the debt service. Interest rates are slightly higher than G.O. debt.

The state finances **Revenue Bonds** from a dedicated source like liquor store profits or student housing rents. Terms and rates are similar to lease revenue bonds.

Building Blocks

Funding increases or decreases to existing programs or new programs.

Caucus

This is a sub-group of the Legislature. Examples might include Senate Democrats, female House Representatives. Or all the legislators from one county. Conservative Rural legislators once organized themselves into the "Cowboy Caucus."

Circle

When the Legislature circles a bill, it delays action on the bill temporarily. The bill can be un-circled with a simple majority.

Enterprise Funds

This accounting term covers programs that run like a business. Funding comes from user charges.

Expenditures Categories

Utah's budgets show spending in these categories:

Personnel Services

This category holds people costs such as salaries and benefits.

Travel

These costs include airline tickets, rental cars, hotels, meals, etc.

Current Expense

These are general operating costs such as rents or small office supplies.

Data Processing

This category includes costs to run computer systems including hardware and software under \$5,000.

DP Capital

This category holds computer hardware, support equipment, systems, and software over \$5,000.

Capital Outlay

This is where the state accounts for fixed assets other than computers.

Pass-Through

Some programs need a partner, such as local health departments, to get the job done. This category shows funds passed on to the partner. The partner can be a state agency.

Fiscal Year

The state's fiscal year (FY) runs from July 1 through June 30. The federal fiscal year (FFY) is from Oct. 1 through Sept. 30. Calendar Year is abbreviated "CY."

FTE

FTE stands for "Full Time Equivalent" employee. Any combination of hours by any number of persons equal to a 40-hour workweek equals one FTE. It standardizes the personnel count.



Intent Statements

The Legislature adds intent statements to appropriations bills to place conditions on a given appropriation. They expire with the appropriation at the end of the fiscal year. Intent:

- Can make it so that funds do not lapse
- Can specify what projects are funded
- Can specify what results are expected
- Cannot tell the executive branch how to do its job as it would violate the Constitution's separation of powers clause
- Cannot do what should be done in statute
- Cannot supersede state statutes

Internal Service Funds (ISF)

These are not so much funds as a special type of government agency such as a motor pool. They provide goods and services to other governmental agencies. Funding comes from user charges.

Lapsing

At fiscal year end, unexpended resources return to the fund from which they came.

Line Item

The Legislature created most of state government as Departments supporting multiple Divisions that support multiple Programs.

Most spending bills are collections of many appropriations. The bill identifies each by a line item number. A line item usually funds a division with several programs. Agencies can move funds from program to program within the line item, but cannot move funds from one line item to another. This practice gives agencies flexibility.

Minimum School Program (MSP)

The MSP supports school district basic education programs. The state equalized funding between “rich” and “poor” districts. 85% of all education revenue goes to the MSP. The Minimum School Program (MSP) funds school district enrollments, special categories, and district needs.

Nonlapsing

The Legislature may specify that an appropriation not lapse by intent language or the Utah Code.

One-time vs. Ongoing

The Legislature spends one-time funds on one-time expenditures like computers, buildings, and roads. It spends ongoing funds on on-going expenses like bond payments, and salaries.

Reading

As bills go through each house, there are three stages where staff reads the bill’s title:

- When the bill is introduced to the Legislature
- When announcing the standing committee’s report
- When the bill is placed for debate and voting

The Legislature requires all three readings before passage.

Retained Earnings

These are Internal Service Fund or Enterprise Fund unspent profits. They are not reserved for any specific purpose.

Revenue Categories:

Dedicated Credits

This revenue comes from fee collections or sales and spending is according to code or contract restrictions. The amount in the bill is an estimate, and the agency may spend all it gets up to 125% of the appropriation.

Education Fund

Income and intangible property taxes fill the Education Fund. The Legislature spends these funds on public and higher education.

Federal Funds

These funds come from the Federal Government with restrictions such as matching requirements. The amount in the appropriations act is an estimate. The agency may spend more than appropriated if it gets more and has the governor's approval. The Legislature closely monitors all federal funds.

General Fund

Sales taxes, other taxes, and fees fill the General Fund. The Legislature can spend these any way it wants.

Local Property Tax

School districts must levy a basic property tax to take part in the MSP. Funds are collected and go to school districts based on an equity formula. Local revenue is 15% of the education budget.

Non-lapsing Funds

At budget year's end, unspent funds go back (lapse) to the fund they came from. If the Legislature allows agencies to keep the funds, they become Non-lapsing funds. This category also holds obligated, but still unspent funds.

Restricted Funds

The Legislature limits spending to specific purposes.

Transportation Fund

The gas tax is the main source of revenue. The Constitution limits spending to roads and highways.

Uniform School Fund (USF)

Is a special revenue fund within the Education Fund and is a source of revenue for public education.

School Building Program

On a formula basis, these funds go to school districts to build or renovate schools and for capital bonding.

Special Session

The Governor can call the Legislature into Special Session to address a problem that will not wait until the General Session. The Governor sets the agenda in the call.

Supplemental Appropriation

Sometimes this just called a supplemental. This is when the Legislature changes a previous appropriation. The change can be an increase or decrease.

Table

If the Legislature tables a bill, it postpones action. Lifting a bill from the table requires a two-thirds vote.

Turnover Savings

The Legislature gives agencies enough to pay for all employees for a full year. When there is employee turnover, those conditions change. There will be a vacancy for a while and the agency will usually pay the new hire at a lower rate. These are turnover savings.

Weighted Pupil Unit (WPU)

This is the amount allocated to educate one pupil for one year. The amount changes with each budget. Sometimes, the Legislature funds a specific program with WPU multiples even though there is no direct relationship to students.



Contact Information:

Office of the Legislative Fiscal Analyst
W310 State Capitol Complex
Salt Lake City UT 84114-5310

Phone: 801.538.1034

Fax: 801.538.1692

Andrea Wilko	awilko@utah.gov
Ben Leishman	bleishman@utah.gov
Gary Ricks	gricks@utah.gov
Gary Syphus	gsyphus@utah.gov
Ivan Djambov	idjambov@utah.gov
Jon Ball	jball@utah.gov
Mark Bleazard	mbleazard@utah.gov
Patrick Lee	pwlee@utah.gov
Rich Amon	ramon@utah.gov
Russell Frandsen	rfrandsen@utah.gov
Spencer Pratt	spratt@utah.gov
Stan Eckersley	seckersley@utah.gov
Steven Allred	smallred@utah.gov
Stephen Jardine	sjardine@utah.gov
Thomas Young	teyoung@utah.gov

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Analysts by Assignment

Management

Jonathan Ball, Director
Steven Allred, Deputy Dir.

Fiscal Notes

Stan Eckersley

Infrastructure &

General Government

Mark Bleazard
(Transportation)

Gary Ricks
(Administrative Services,
Technology Serv. & ISFs)

Rich Amon
(Capital Budget, Debt Serv.)

Business, Economic Development, & Labor

Andrea Wilko
(Governor's Office of Economic
Development, Community &
Culture, Sports Authority)

Thomas Young
(Tax Commission, USTAR)

Patrick Lee
(ABC, Commerce, Financial
Institutions, Insurance, Labor
Commission, PSC)

Executive Offices &

Criminal Justice

Gary Syphus
(Pardons, CCJJ, Corrections,
Courts, Public Safety)

Stephen Jardine
(Juvenile Justice Services)

Steven Allred
(Governor, Attorney General,
State Auditor, Treasurer)

Social Services

Stephen Jardine
(Human Services)

Russell Frandsen
(Health)

Patrick Lee
(Workforce Services,
Rehabilitation)

Higher Education

Spencer Pratt
(All institutions & Board of
Regents)

Jonathan Ball
(UEN)

Natural Resources, Agriculture, & Environmental Quality

Ivan Djambov
(Agriculture, Natural Resources,
Public Lands, State Fair, School &
Institutional Trust Lands)

Mark Bleazard
(Environmental Quality)

Public Education

Ben Leishman

Retirement &

Independent Entities

Rich Amon
(Utah Retirement Systems, PEHP)

Gary Ricks
(Career Service Review, Human
Resource Management)

Executive Appropriations

Steven Allred
(Legislature)

Mark Bleazard
(National Guard, Veterans)

Gary Ricks
(Capital Preservation Board)

